VSB – TECHNICAL UNIVERSITY OF OSTRAVA

FACULTY OF ECONOMICS

DEPARTMENT OF FINANCE

Finanční situace a její zhodnocení ve společnosti Wanda Group

Financial Situation and its Assessment in Wanda Group Company

Student: Rong Huang

Supervisor of the bachelor thesis: doc. Ing. Miroslav Čulík, Ph.D.

Ostrava 2019

VŠB - Technical University of Ostrava
Faculty of Economics
Department of Finance

Bachelor Thesis Assignment

Student: **Rong Huang**

Study Programme: B6202 Economic Policy and Administration

Study Branch: 6202R010 Finance

Title: Financial Situation and its Assessment in Wanda Group Company
Finanční situace a její zhodnocení ve společnosti Wanda Group

The thesis language: English

Description:

1. Introduction
2. Description of Financial Analysis Methodology
3. Characteristics of Wanda Group Company
4. Financial Situation in Wanda Group Company and its Assessment
5. Conclusion

Bibliography
List of Abbreviations
Declaration of Utilisation of Results from the Bachelor Thesis
List of Annexes
Annexes

References:

BRAGG, Steven. *Financial Analysis: A Business Decision Guide.* 3rd ed. London: Accounting Tools, 2017. ISBN 978-1938910968.
BRIGHAM, Eugene and Michael C. EHRHARDT. *Financial Management: Theory & Practice.* 15th ed. London: Cengage Learning, 2016. ISBN 978-1305632295.
DLUHOŠOVÁ, Dana et al. *Financial Management and Decision-making of a Company. Analysis, Investing, Valuation, Sensitivity, Risk, Flexibility.* SAEI, vol. 28. Ostrava: VSB-TU Ostrava, 2014. ISBN 978-80-248-3619-5.
CHENG-FEW, Lee and John C. LEE. *Financial Analysis, Planning and Forecasting: Theory and Application.* 3rd ed. New York: World Scientific Publishing Company, 2016. ISBN 978-9814723848.

Extent and terms of a thesis are specified in directions for its elaboration that are opened to the public on the web sites of the faculty.

Supervisor: **doc. Ing. Miroslav Čulík, Ph.D.**

Date of issue: 23.11.2018

Date of submission: 10.05.2019

Ing. Iveta Ratmanová, Ph.D.
Head of Department

prof. Dr. Ing. Zdeněk Zmeškal
Dean

I hereby declare that I have elaborated the entire thesis including annexes myself.

Ostrava dated……03.05.2019……

……黄榕 Rong Huang……

Student´s name and surname

Content

1. Introduction

The thesis is about analyzing the financial situation of Wanda Group, which is one of the largest real estate companies in China.

The purpose of this thesis is to use the selected financial analysis methods to assess the financial status of Wanda Group in the 2013-2017 financial year. Wanda Group is the largest real estate group in mainland China. Wanda Group's industrial chain includes all aspects of the real estate industry, from real estate development to commercial management. In addition, based on the future of the real estate industry, Wanda Group continues to invest in the business management field and become a leader in business management. By analyzing its financial situation, it is helpful to understand how the company succeeds in the world.

This thesis is divided into five chapters.

The second chapter is a theoretical part that describes three basic financial statements and financial analysis methods, which will be applied in Chapter 4. There are three types of financial statements, namely a balance sheet, a profit and loss statement and a cash flow statement. Moreover, there are four main types of financial analysis methods, including common size analysis, financial ratio analysis, pyramidal decomposition and influence quantification, and sensitivity analysis.

The third chapter describes the company characteristics of the Wanda Group. We should understand some of the comprehensive information of Wanda Group, such as overview, development history, corporate culture and expanding business areas. Therefore, Chapter 3 introduces the background and financial characteristics of the Wanda Group.

The fourth chapter is the Applied Analysis section and is the most important part of this Bachelor's thesis. We will use the method from Chapter 2 (theoretical part) to analyze the financial statements of Wanda Group from 2013 to 2017. In this chapter, the financial ratio analysis is conducted to introduce the company's ability to create profit, the efficiency of repaying debts and so on. At the same time, this part uses the pyramidal decomposition method and influence quantification to find the variables that have the greatest impact on Wanda Group's return on equity. Finally, through sensitive analysis, we explore the variable sensitivity of change. Therefore, in Chapter 4, the financial situation of each fiscal year is compared and

calculated, and the performance of each year is analyzed to find out the company's development trend.

In the fifth chapter, we will make a conclusion based on the analysis results of the former four chapters. We can make some predictions and have some ideas to help the company develop better. Most importantly, we can deduce whether Wanda Group is worth investing.

2. Description of Financial Analysis Methodology

In this chapter we will discuss the methods of financial analysis. This is the process of selecting financial statements, organizing financial data, calculating financial ratios, and analyzing the conclusions. Through financial analysis, we can evaluate the company's operating conditions and help company managers make better business decisions and create more profits.

Firstly, we introduce three financial statements, balance sheet, income statement and cash flow statement. Then we will use four methods to analyze the financial data. They are common-size analysis、financial ratios analysis、pyramidal decompositions and influence quantification and sensitivity analysis.

2.1 Financial Statements

The basic financial statements are balance sheet, income statement and cash flow statement.

2.1.1 Balance sheet

A balance sheet is an accounting statement that reflects the company's total assets, liabilities, and owner's equity at a particular date (usually at the end of the fiscal year). The balance sheet is divided into two parts, that assets is on the left and liabilities and equity are on the right. The main principle of the balance sheet is that the left and right are equal.

$$total\ assets = total\ liabilities + total\ equity \tag{2.1}$$

Assets can be divided into current assets and non-current assets. The definition of assets is an economic resource that is owned or controlled by an enterprise and it can be measured in currency units. Assets have three distinct characteristics. First, assets are formed by past transactions or events. That is to say, the assets must be real assets, not the expected assets, which are the result of transactions or events that have occurred in the past. Second, assets are owned or controlled by companies. Ownership or control by an enterprise means that the enterprise has ownership of a certain resource, or although it does not have ownership of certain resources, the resource can be controlled by the enterprise. Third, assets can bring future economic benefits to companies and enterprises. Assets include various property, claims and

other rights. It is expected to bring economic benefits to the company, which refers to the potential to directly or indirectly lead to cash and cash equivalent logistics into the enterprise.

Liabilities and equity are the main sources of company assets. Equity includes common equity and shareholders' equity. Equity can be used for long-term and continuous by the company during the company's operation period. Liabilities are the company's existing debts due to past transactions and must be repaid in the future. Usually the liabilities are the capital that company borrows from the outside. Liabilities can be divided into short-term debt (current liabilities) and long-term debt based on the time of repayment. The debt has four features. First, debt is the current obligation of the company. Than the liabilities are formed by the company's past transactions or events. And liabilities can cause economic benefits to flow out of the company. At last the liabilities must have the exact creditor and the maturity date.

2.1.2 Income statement

The income statement (or profit and loss account) is a financial statement that reflects the company's profit realization (or loss) over a certain period of time (usually one year). On the statement we can see revenue, cost and expense, net profit (or net loss) and earning before tax and interest (EBIT). The following is the basic equations for the income statement:

$$net\ profit/loss = revenues - (costs + expenses) \tag{2.2}$$

$$EBIT = operate\ revenues - operate\ costs \tag{2.3}$$

Revenues are amounts of income that the company earns from the operations, usually are selling of goods or services. Costs and expenses are amounts which are used in the whole operations by the company including taxes and interests. Taxes and interests are special type of costs. If we want to know the operating profit, we can use index of earning before tax and interest (EBIT).

2.1.3 Cash flow statement

The cash flow statement refers to a statement that reflects the inflow and outflow of cash and cash equivalents during a certain accounting period. It expresses the increase or decrease in cash (including bank deposits) of a company during a fixed period (usually quarterly or yearly).

The emergence of the cash flow statement mainly aims to reflect the impact of various items on the balance sheet on cash flow, and is classified into three categories of operations, investment and financing according to their purposes. The cash flow statement can be used to analyze whether a company or organization has enough cash to cover expenses in the short term. Below is the fundamental equation in the cash flow statement:

$$net\ cash\ flow = total\ inflows - total\ outflows \tag{2.4}$$

2.2 Common-size analysis

Common-size analysis analyzes the changes in financial statement data over a certain period of time, from which we can understand the trends and differences in data. There are two methods for common-size analysis: horizontal analysis and vertical analysis.

The horizontal analysis shows the numerical changes in the financial statements for the same project over several years. It is an effective tool for assessing item trends. The time range for horizontal analysis is usually two years and above. The core idea of the horizontal analysis method is to compare the same item for different years. The earliest year is usually used as the benchmark, and the items for all following year are compared with the items in the base year. We usually use a line chart to represent the results of the horizontal analysis.

The vertical analysis reflects the changes in the proportions of selected benchmarks, such as total assets, total revenue, and cash outflows from total operating activities. In a vertical analysis, each item in the financial statement is calculated as a percentage. It means the change in the relationship between each item and the total in a period. Vertical analysis makes it clearer to compare the item importance, where the change in the percentage of the item - to see if performance items are improving or worsening. It also makes it easier to compare company financial statements with the financial statements of other companies in the same industry.

2.3 Financial ratios analysis

The financial ratio analysis method compares the data of many important items on the financial statements of the same period and finds the ratio. Investors can use financial ratios to analyze and evaluate the company's business activities and the company's current and past

operating conditions. It is the most cardinal tool for financial analysis.

Because of the different purposes of financial analysis, the various analysts, including creditors, regulatory authorities, government agencies, etc., have different priorities. As an investor, it mainly understands and uses four types of ratios, which reflect the company's profitability ratio, liquidity ratio, solvency ratio and activity ratio.

2.3.1 Profitability ratios

Profitability shows the ability of a company to make a profit in a certain period of time. The higher the profit rate, the stronger the profitability, the higher the company's competitiveness; the lower the profit rate, the worse the profitability, and the lower the company's competitiveness. The operating performance of a company can ultimately be reflected in the profitability of the company. There are two purposes for the profitability ratio analysis. The first is to use the profitability ratio to reflect and measure business performance. The second is to find out the problems in business management through the analysis of profitability ratio. The following is the basic profitability ratio:

Net profit margin (NPM) is an important indicator of the company's profitability. It refers to the profit rate after deducting all costs, expenses and corporate income tax. Formula is given as:

$$NPM = \frac{EAT}{Revenues} \tag{2.5}$$

Where EAT is earning after tax and it is net profit of companies.

The higher the net profit margin, the stronger the company's profitability. However, it should be noted that the net profit rate is affected by the industry characteristics of the company and needs to be analyzed in combination with specific industry characteristics.

Operating profit margin (OPM) is the ratio between the company's operating profit and operating income. It is an indicator of the company's business efficiency, reflecting the ability of business managers to obtain profits through operations without considering non-operating costs. The formula is as follows:

$$OPM = \frac{EBIT}{Revenues} \tag{2.6}$$

Where EBIT is earning before interest and tax. It is operating profit.

When companies are partly financed by debt, a portion of the sales revenue must be paid as interest to the company's creditors. So, profit from the company's operations are divided between the debtholders and the shareholders. Operating income feels purer and less prone to weird accounting-related fluctuations to analysts than net income. We would not want to say that a company is less profitable than its rivals simply because it employs debt finance and pays out part of its income as interest. Therefore, we use operating profit margin instead of net profit margin to compare two companies' profitability. The higher the operating profit margin, the more potential the company has to be buyout.

Return on assets (ROA) is also known as the rate of return on assets. It is an important indicator of how much net profit per unit of assets is generated. Its formula is as follows:

$$ROA = \frac{EBIT}{Assets} \tag{2.7}$$

Where EBIT is earning before interest and tax also called operating profit.

Return on assets is one of the most widely used indicators of measuring profitability. The higher the ROA, the more active the company's allocation of assets, the higher the utilization of assets, the more profit each unit of assets creates. Company management is usually very concerned about this ratio. The limitation of ROA is that it does not reflect the company's cost of capital.

Return on equity (ROE) is an indicator of how much net profit is generated by each unit of shareholder capital. Here is the formula:

$$ROE = \frac{EAT}{Equity} \tag{2.8}$$

Where EAT is earning after tax, it's also called net profit.

What we need to pay attention to is that the return on equity as a profitability indicator is more suitable for comparing different companies in the same industry. But overall, the higher the return on equity, the higher the shareholder return.

2.3.2 Liquidity ratios

Liquidity ratio is a measure that is an ability of a company to repay short-term liabilities with cash or cash equivalents. The liquidity ratio is also an indicator how quick a company's current assets are converted into cash. Obviously, the high liquidity ratio shows the better company's ability to cope with short-term liabilities. On the other hand, the high liquidity ratio indicates that the company holds too much cash or cash equivalents, which is not conducive to the company's continued operations. There are three basic ratios for liquidity ratio:

Current ratio is the most common measure of a company's ability to repay short-term liabilities or liabilities due within one year. It is also one of the most important indicators for measuring the financial security of a company. The formula is as follows:

$$Current\ ratio = \frac{Current\ assets}{Current\ liabilities} \tag{2.9}$$

The greater the current ratio, the stronger the company's short-term solvency, and it shows that the company y has sufficient working capital. The smaller the ratio, the weaker short-term solvency and insufficient working capital. However, the current ratio is not the higher the better. In particular, the reason why is high current ratio because of excessive accounts receivable and inventories and it's not a safe to company's finance.

Quick ratio is an indicator used to measure the company's liquidation ability, reflecting the ratio between company's cash and accounts receivable and current liabilities. The formula is followed:

$$Quick\ ratio = \frac{Current\ assets - Inventories}{Current\ liabilities} \tag{2.10}$$

$$\text{or}\quad Quick\ ratio = \frac{Cash + Accounts\ receivable}{Current\ liabilities} \tag{2.11}$$

By analyzing the quick ratio, investors can find the company's ability to repay short-term debt in cash in a short period of time. It is generally believed that the quick ratio is maintained at 1, and the safety of current liabilities is more secure. Even if the company's capital turnover is difficult, it will not affect the repayment of short-term debt or short-term obligations.

Cash ratio refers to the ratio of cash and cash equivalents (such as marketable securities) to current liabilities. It measures the ability of cash and cash equivalents to repay debt. Here is the formula:

$$Cash\ ratio = \frac{Cash + Marketable\ securities}{Current\ liabilities} \quad (2.12)$$

The higher the ratio, the faster the company can repay current liabilities. The ratio calculates a company's ability to pay its current liabilities using only its cash and cash equivalents on hand. If the company is forced to pay all current liabilities immediately, this ratio shows the company's ability to do so without having to sell other fixed assets.

2.3.3 Solvency ratios

The solvency ratio is also known as the leverage ratio. The solvency ratio is a measure of the company's ability to repay long-term debt. Banks or other financial institutions often use solvency ratios as a basis for providing long-term debt to companies. The lower the company's solvency ratio, the greater the likelihood of default risk. There are many solvency ratios. The following are just four examples of the most commonly used ratios:

Debt ratio is the percentage of total corporate liabilities to total assets. This indicator reflects the proportion of assets provided by creditors in all assets of the enterprise, reflecting the degree of risk that creditors provide credit funds to enterprises, and also reflects the company's ability to operate debts. Here is the formula:

$$Debt\ ratio = \frac{Total\ debt\ (total\ liabilities)}{Total\ assets} \quad (2.13)$$

From the view of people of different identities, the meaning of debt ratio is different. From the position of creditors, the lower the debt ratio, the safer credit. For investors and shareholders, financial leverage can be achieved through higher debt ratio to generate more profits. The company's debt ratio should be as high as possible without a debt repayment crisis.

Debt-to-equity ratio is the ratio between the total debt and equity. It indicates how many unit's debt are absorbed by each unit of the equity. Analysis of this ratio can measure the company's long-term solvency, because the liability is a fixed obligation, regardless of the company's profit or loss, company should pay interest on time and debt must be repaid at maturity. Here is the formula:

$$Debt\text{-}to\text{-}equity\ ratio = \frac{Total\ debt\ (total\ liabilities)}{Equity} \quad (2.14)$$

For investors, the debt ratio is too low and not necessarily beneficial, because the company's own capital relative to the debt, only need to maintain a certain level enough to protect the company's credit. If the ratio is lower than 1, the company uses more equity than debt to finance.

Long-term debt-equity ratio is also known as the capitalization ratio, which reflects the degree of long-term and capitalization of the company's liabilities. Here is the formula:

$$Long\text{-}term\ debt\text{-}equity = \frac{Long\text{-}term\ debt}{Equity} \tag{2.15}$$

The smaller the ratio, the lower the degree of long-term debt of the company and the lower pressure on long-term debt service. Compared with current liabilities, long-term liabilities are relatively stable, so the company will not face a large risk of liquidity shortage, and there is not much pressure to repay debts in the short term. Compared with the owner's equity, long-term liabilities are sources of funds with fixed repayment periods and fixed interest expenses, and their stability is not as good as the owner's equity. Too high a ratio will result in poor financial stability of the company.

Interest coverage is, also known as the interest multiplier, refers to the ratio of the EBIT that is earned by the company's operations and interest expense. It is used to measure the ability to pay interest on debt. Following is the formula:

$$Interest\ coverage = \frac{EBIT}{Interest\ paid} \tag{2.16}$$

Where the EBIT is earning before interest and tax, also known as operating profit.

The interest coverage ratio is not only the premise basis for the debt management of the company, but also an important indicator to measure the long-term solvency of the company. The higher the ratio, the stronger the company's long-term solvency. If the interest coverage ratio is too low, the company will face losses and credit risks.

2.3.4 Activity ratios

The asset management ratio, also known as the activity ratio, is a measure of the company's financial efficiency in terms of asset allocation. It shows the ratio of the company's invested capital on a particular asset to the revenue generated by the asset. The activity ratio is closely related to the liquidity ratio. The following are the basic four activity ratios:

Average collection period (ACP) is the time it takes for a company to convert accounts

receivables into cash. It is used to measure how long a company needs to recover accounts receivables. Here is the formula:

$$ACP = \frac{Accounts\ receivable}{Revenues} \cdot 360 \tag{2.17}$$

The shorter the average collection period, the higher the efficiency of accounts receivable conversion. Since credit sales are common in most industries and a large amount of accounts receivable is formed, how to turn these accounts receivable back into cash more quickly is crucial for the company to continue to operate. In the same industry, companies with shorter ACP are generally more competitive.

Accounts receivable turnover (ART) is the average time of accounts receivable converted to cash in a year, measuring the flow rate of accounts receivable. Following is the formula:

$$ART = \frac{Revenues}{Accounts\ receivable} \tag{2.18}$$

In general, the shorter the average collection period, the faster the recovery of accounts receivable. Otherwise, the company's available funds will be too much trapped in the accounts receivable, affecting normal capital turnover.

Inventory turnover (IT) is the ratio of the cost of sales goods to the average inventory for a certain period of time, which is used to reflect the speed of inventory turnover. Inventory turnover is one of the important indicators of company activity ratio analysis. Here is the formula:

$$IT = \frac{Costs\ of\ goods\ sold}{Averageinventory} \tag{2.19}$$

The purpose of inventory turnover analysis is to find out the problems in inventory management from different ways, so that inventory can reduce the operating capital, increase the liquidity of funds and improve the management level of the company while ensuring the continuity of production and operation.

Total asset turnover (TAT) refers to the ratio of sales revenue to total assets of a company for a certain period of time, which is used to reflect the income generated by each unit of assets. TAT reflects the operational ability of the company's total assets. Here is the formula:

$$TAT = \frac{Revenues}{Total\ assets} \tag{2.20}$$

In general, the more turnover of assets, the faster the turnover rate and the stronger the operational power. Companies can accelerate the turnover of assets and increase their revenues through low price but big amount of goods.

2.4 Pyramidal decomposition and influence quantification

Pyramidal decomposition is the multiplication of a basic ratio into several component ratios. It is one of the most important financial analysis methods. We find out the impact of each component ratio by performing a complex calculation of the component ratio. First, we choose a ratio as the base ratio. Second, we choose three component ratios based on the analysis. DuPont analysis is the most common pattern of pyramidal decomposition. DuPont analysis uses the relationship between component ratios to comprehensively analyze the company's financial situation. In general, it is a useful way to assess a company's profitability and return on shareholders' equity; assessing a company's performance from a financial perspective helps deeply to analyze the company's performance.

$$ROE = \frac{EAT}{Equity} = \frac{EAT}{Revenue} \cdot \frac{Revenue}{Assets} \cdot \frac{Assets}{Equity} \tag{2.21}$$

In formula (2.21), we can see the application pattern of pyramidal decomposition. We use ROE as the base ratio, net profit margin, asset turnover and financial leverage as component ratios. This is the most fundamental pyramid decomposition method.

The step after pyramidal decomposition is to influence quantification. The purpose of influence quantification is to find out the effect of the component ratio which has the greatest influence on the base ratio change and the quantize component ratios. There are five methods for calculating the influence quantification, which are method of gradual changes, methods of decomposition with surplus, logarithmic decomposition method, functional decomposition method and integral method. This chapter only introduces the functional decomposition method. Following is the formula of functional decomposition method:

$$\Delta x^{relat} = R_x = \frac{x_1 - x_0}{x_0} \ , \ \Delta a_i^{relat} = R_{ai} = \frac{a_1 - a_0}{a0} \tag{2.22}$$

$$\Delta x_{a_1} = \frac{1}{R_x} \cdot R_{a_1} \cdot \left(1 + \frac{1}{2} R_{a_2} + \frac{1}{2} R_{a_2} + \frac{1}{3} R_{a_2} \cdot R_{a_2}\right) \cdot \Delta x$$

$$\Delta x_{a_2} = \frac{1}{R_x} \cdot R_{a_2} \cdot \left(1 + \frac{1}{2} R_{a_1} + \frac{1}{2} R_{a_3} + \frac{1}{3} R_{a_1} \cdot R_{a_3}\right) \cdot \Delta x$$

$$\Delta x_{a_3} = \frac{1}{R_x} \cdot R_{a_3} \cdot \left(1 + \frac{1}{2} R_{a_1} + \frac{1}{2} R_{a_2} + \frac{1}{3} R_{a_1} \cdot R_{a_2}\right) \cdot \Delta x \qquad (2.23)$$

2.5 Sensitivity analysis

Sensitivity analysis is to show how much an analytical indicator (such as ROE) changes with factors such as assets. Investors often use sensitivity analysis to identify the items that have the greatest impact on ROE changes. It is a method of uncertainty analysis. Sensitivity analysis can effectively help investors have the greatest potential impact on which projects are identified. Therefore, the project's ability to resist risks is judged. This section describes but a single sensitivity analysis. It only changes one factor and keeps all other factors at the baseline value to see how much the uncertainty of each element of the project affects the target.

The steps of the sensitivity analysis are divided into five steps. The first step is to identify sensitivity analysis indicators. Sensitivity analysis is usually performed on the economic benefits of some technical indicators and their responses, so we have chosen the return on equity as a case. In the second step, the base target value is calculated. The third step is to choose the uncertainty factor. The fourth step is to change the value of the uncertainty factor while other factors are constant. The fifth step is to identify the sensitive factors.

In this thesis, we determined that the analytical indicator is the return on equity. According to formula (2.21), we found all the factors that affect ROE. Using formula (2.23), we calculated the base target value. Because it is a single sensitivity analysis, we only change one factor at a time while other factors keep stable, and we use formula 2.23 to find the sensitive changes of each factor. In this paper, we only analyze the value of the uncertainty factor by increasing 10% and decreasing 10%.

3. Characteristics of Wanda Group

Wanda Group is a famous real estate company in China. In this chapter we will introduce the Wanda Group's overview, development history, corporate culture and departments.

3.1 Overview of Wanda Group

Wanda Group was founded in 1988. After 30 years of development, Wanda Group has become a large-scale multinational enterprise group focusing on modern service industry. Wanda is the world's leading real estate company, the world's leading film and television company, the world's leading sports company, and the world's leading children's industry enterprise. Wanda Plaza, Wanda Studios, Wanda Hotel, Wanda Cultural Tourism City and Wanda Baby King have become famous brands in China. In 2018, the company's assets were 625.7 billion yuan and its income were 214.3 billion yuan.

3.2 Development history of Wanda Group

In 1988, Wanda Group was established in Dalian. In 1993, Wanda was the first real estate company in China to develop across regions. In 2000, Wanda began to develop and construct commercial real estate projects. In 2003, commercial real estate development of urban complexes was proposed. In 2005, Wanda established a business planning institute, a business management company, and a hotel construction company to form a complete industrial chain of commercial real estate. In 2010, Wanda Group carried out large-scale institutional adjustments. This adjustment will enable Wanda to realize the two legs of industry and capital and lay a solid organizational foundation for the long-term development of the company.

In 2012, Wanda Group merged with AMC. Wanda Group signed a merger agreement with AMC, the world's second largest cinema group. The total transaction amount of Wanda Group's merger and acquisition was US$2.6 billion, including 100% equity and full debt. After the completion of the merger, Wanda invested less than 500 million US dollars in operation, Wanda will pay a total of 3.1 billion US dollars for the transaction. Wanda will become the largest cinema operator in the world. According to the agreement reached between the two parties, after the transaction is completed, Wanda will take over 4,865 screens of AMC's 338 theaters

(including 2,171 3D screens and 124 IMAX giant screens) and operate AMC as a wholly-owned subsidiary. Its capital injection does not exceed 500 million US dollars.

In August 2014, the company changed its name. Wanda Group wants to rename the original company name “Wanda Commercial Real Estate (Group) Co., Ltd.” to “Wanda Hotel Development Co., Ltd.”. Wanda Group will be renamed as the basis for clarifying the positioning of its listed companies and opening up overseas hotel business.

In August 2014, Wanda Group entered the e-commerce business. Wanda, Tencent and Baidu cooperated to form a new e-commerce company, and Wanda held 70% of the shares. At the same time, in the cooperation of the three, Wanda dominates, placing O2O on the physical industry chain such as Wanda Plaza, cinema, hotel, etc. Baidu and Tencent respectively contribute to the advantageous business and will support in terms of technology. The three companies will establish a big data alliance to help physical businesses better transform to "Internet +."

In December 2014, Wanda Group went public. At the end of November 2014, the media revealed that Wanda Commercial was scheduled to launch a global roadshow on December 5 and officially listed on the Hong Kong Stock Exchange on December 19. It is estimated that the first fundraising of Wanda Group will exceed 10 billion US dollars.

In 2015, Wanda Group built a theme park. Wanda Group plans to spend billions of Australian dollars to build a theme park on the Gold Coast. This theme park is the primary focus of Wanda Group's international strategy. Wanda Group has already entered the Australian Gold Coast, including the acquisition of the famous Jewelry Three Towers project, the construction of the super five-star Wanda Mandarin Hotel and Hotel Apartments, as well as the Jetstar Airlines direct flights from Wuhan to the Gold Coast.

In January 2016, Wanda Group acquired Legendary Film. In March of the same year, he became the main sponsor of FIFA.

In August 2017, Wanda Group's assets were reorganized. Wanda Hotel Development announced a major asset restructuring plan, Wanda Hotel Management Company and Wanda Travel Group injected into Hong Kong listed companies, the total amount reached 7.05 billion-yuan, Wang Jianlin has completed a total amount of up to 110.963 billion yuan of assets.

3.3 Corporate culture of Wanda Group

The core concept of Wanda Group is “International Wanda, a century-old enterprise”. This means that the core goal of Wanda Group is to develop internationally and become a world-famous real estate company. At the same time of development, the company's decision-making level also hopes that Wanda Group can be operated as longer as it is possible. Wanda Group's corporate mission is to "create wealth, public welfare society." Wanda has a very strong corporate culture and social responsibility, which is reflected in:

Dare to innovate is the primary characteristic of Wanda culture. It is to dare to dare to try and dare to do it. Second, adhering to integrity is the core feature of Wanda Culture. Taking 2002 as an example, Wanda developed the Wanda Plaza in Taiyuan Street in Shenyang. Due to the poor operating efficiency of some of the shops sold, Wanda decided to repurchase all the shops sold in Wanda Plaza, Taiyuan Street, Shenyang, in addition to the protection of consumer interests. The corresponding interest is also compensated. The retreat of Wanda Shenyang has caused great repercussions throughout the country and has become a landmark event in the construction of national integrity culture. Then take the lead in environmental protection. All Wanda Plaza and five-star hotels of Wanda Group have reached the national star energy-saving standards. Fourth, care for employees. Wanda employees are the core capital of the company, and the development results first benefit the employees, so that the employees can achieve the long-term skills, salary increase and long happiness index. Wanda implements an excellent employee holiday system, and the outstanding employees of the group that are evaluated each year are reimbursed for two round-trip airfare and stay at Wanda Hotel for free. Fifth, pay attention to charity. Since the establishment of Wanda, charitable donations have exceeded RMB 6 billion in cash. Wanda Group also advocates the concept of public welfare. Sixth, to be the best, Wanda has a great vision, and it has extremely high requirements for work standards, and pursues “making everything work fine”. The final execution is the outstanding feature of Wanda's corporate culture.

3.4 Departments of Wanda Group

There are three important departments of Wanda Group, they are: Business Management Group, Cultural Group, Real Estate Group and Investment Group.

Wanda Business Management Group is the world's leading commercial property holding and management company. By 2018, 280 Wanda Plazas, including Beijing CBD, Shanghai Wujiaochang, Chengdu Jinniu and Kunming Xishan, have been opened in the country, with a total area of 35.86 million square meters and an annual passenger flow of 3.8 billion. Wanda Business Management Group has created a world record of 13 years of continuous rental collection rate of over 99.5%. Wanda Business Management Group is divided into three parts: Wanda Plaza, Commercial Planning Institute and Hotel Management Company. Wanda Plaza is a global leading brand of business, integrating social, entertainment, food and retail functions into a large independent business district. Wanda Business Planning Research Institute is an organization specializing in the planning and design of large-scale commercial centers in China. It also obtains Class A qualifications for construction industry and national high-tech enterprises. Wanda Hotels & Resorts is a full-industry chain company for hotel development, construction and management. It has opened 79 hotels and plans to open more than 40 hotels, covering more than 80 cities around the world.

Wanda Culture Group is a leading cultural enterprise in China with a revenue of 69.2 billion yuan in 2018. It includes film and television group, sports group, cultural travel group and other groups. The cultural group has become a new pillar industry of Wanda. Wanda Film and Television Group has formed a whole industry chain of film and television production, distribution, screening, film and television media. It has American AMC, European Code, China Wanda Film and other enterprises, and opened 1,641 theaters worldwide. Wanda Sports Group is the world's leading sports company. It is the exclusive global business partner of more than ten world sports organizations such as FIFA, FIBA, World Badminton and International Self-Association. Wanda International Travel Group owns China's leading cultural tourism creative, planning, design, construction and operation of the entire industrial chain, and has built more than ten large-scale cultural tourism projects across the country.

Wanda Real Estate Group is a real estate enterprise in the early reconstruction of old areas in China and an early cross-regional development. It is the world's leading urban complex development enterprise. It has developed and built hundreds of Wanda Plaza, Wanda Hotel, Wanda City and Wanda Mao in the country. And residential projects.

Wanda Investment Group owns investment, network small loans, private equity funds and other businesses. It supports the development of real economy and social livelihood through inclusive finance. Wanda Investment Group has launched mergers and acquisitions, PE investment and asset management businesses. It has set up private equity funds and private equity investment funds, and has successfully completed many investments in the fields of finance, technology, consumption, culture, sports and tourism. Wanda Small Loan insists the inclusive financial concept and is committed to providing convenient, efficient, flexible and secure financial products for small and micro enterprises and personal consumption.

4. Financial Situation in Wanda Group Company and its Assessment

This chapter will conduct financial analysis of Wanda Group through the data of the three statements of balance sheet, profit and loss statement and cash flow statement. The statements data are from the Wanda Group's annual reports between 2013 to 2017. We will use four analytical methods, which are common-size analysis, pyramidal decompositions, influence quantification, and sensitivity analysis, to comprehensively analyze the current and future financial status of the Wanda Group.

4.1 Common-size analysis (horizontal, vertical)

Common-size analysis is one of the financial analysis methods that analyze financial statements data to forecast trend. It is divided into horizontal common-size analysis and vertical common-size analysis. All the data are from financial statements in annexes and all the data units are in millions of CNY.

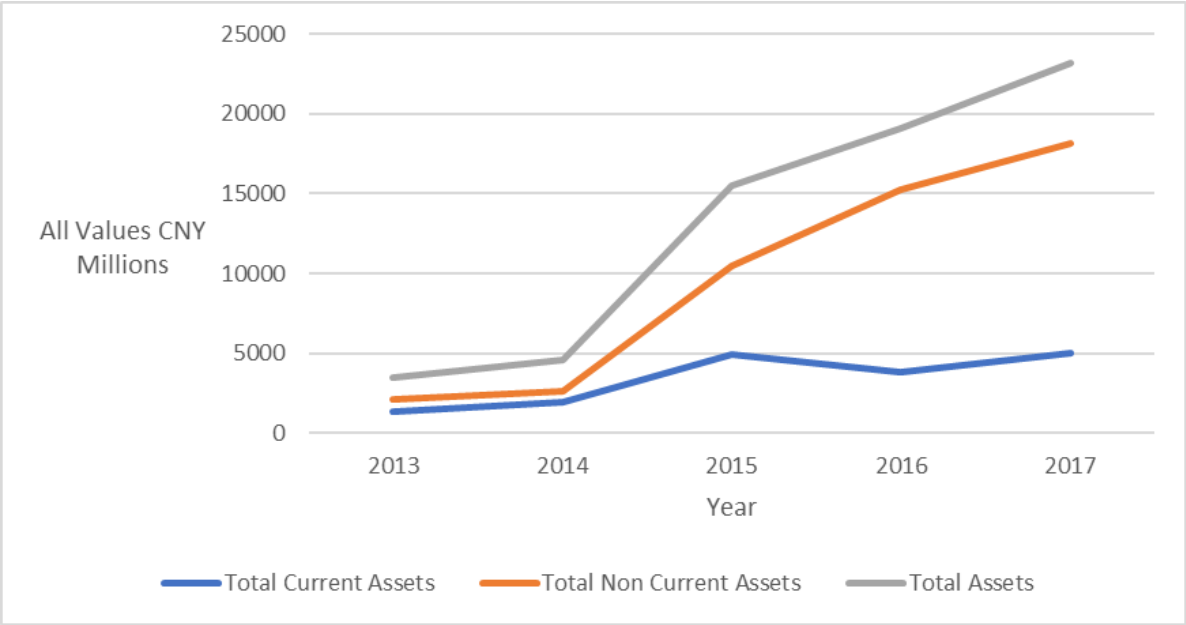
4.1.1 Common-size analysis of balance sheet

Following table 4.1 and chart 4.1 shows the value about balance sheet of assets and its tendency.

Table 4.1 Balance sheet of assets in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
Total Current Assets	1339	1978	4962	3833	5023
Total Non Current Assets	2113	2596	10520	15285	18119
Total Assets	3452	4574	15482	19118	23142

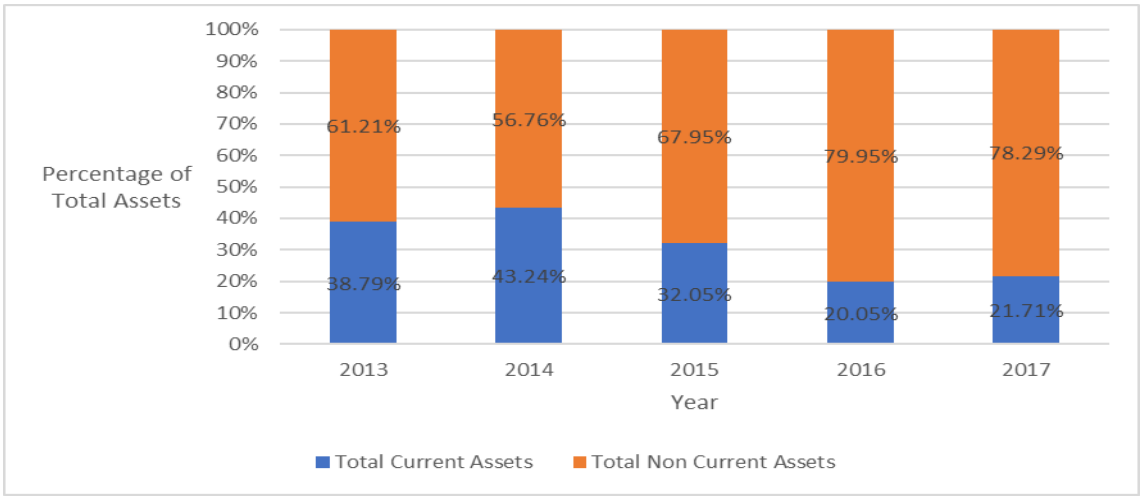
Chart 4.1 Horizontal analysis of assets in 2013-2017



In Table 4.1, we can see that from 2013 to 2017, total assets increased by 19,690 million CNY, and the annual increase was huge. According to Chart 4.1, we can see that the overall trend of cash assets, non-cash assets and total assets is rising. From 2013 to 2014, the three charts rose steadily. However, in 2014-2015, total assets rose sharply, with an increase of more than 10,000 million yuan. Total assets rose steadily between 2015 and 2017. The trend of changes in non-cash assets is similar to the trend in total assets. But the changes in cash assets are slightly different. 2015-2016, the total amount of cash assets decreased, which may be related to the changes in Wanda Group's management strategy in 2016.

Chart 4.2 is the picture of structure of assets.

Chart 4.2 Vertical analysis of assets in 2013-2017



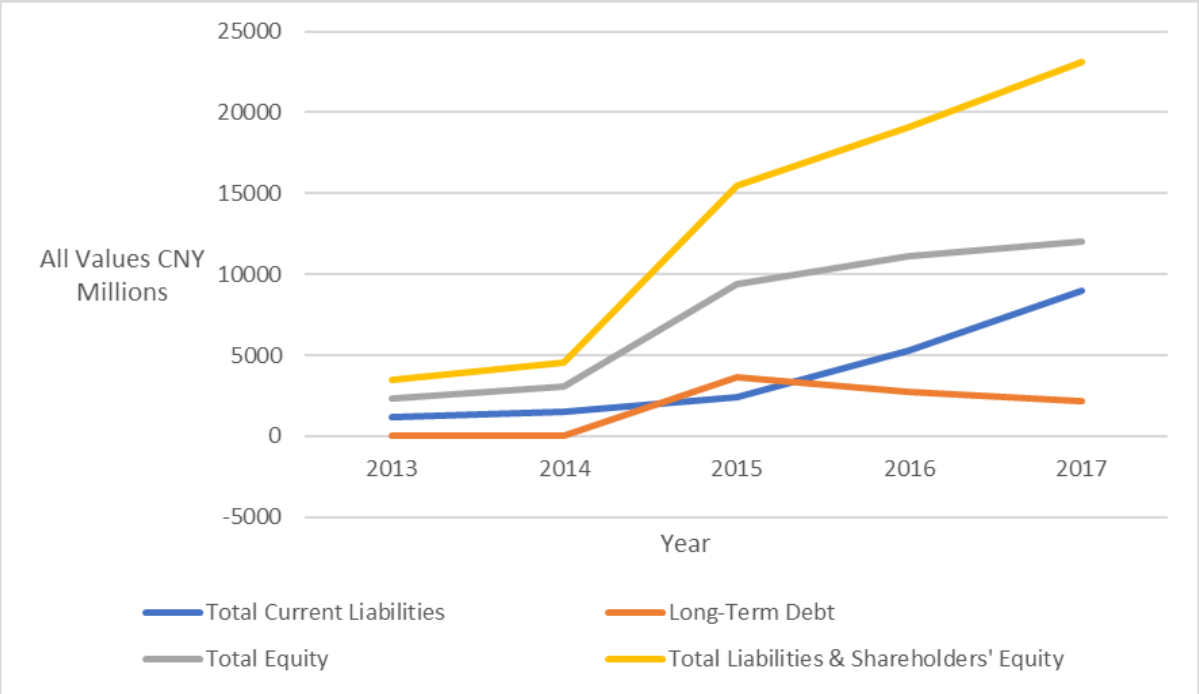
Through Chart 4.2, we can chart out that non-cash assets are an important part of the total assets, and the ratio has always exceeded 55%. In 2014, the proportion of cash assets increased by 4.46%, but the proportion of cash assets decreased from 2015, and the lowest proportion of cash assets in 2016 was only 20.05%. On the contrary, the proportion of non-cash assets has increased year by year. Cash assets and non-cash assets are inversely proportional to each other.

Following table 4.2 and chart 4.3 shows the value of liabilities and equity and their tendency.

Table 4.2 Balance sheet of liabilities and equity in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
Total Current Liabilities	1163	1514	2430	5297	8966
Long-Term Debt	-6	-12	3618	2704	2166
Total Equity	2295	3072	9434	11117	12010
Total Liabilities & Shareholders' Equity	3452	4574	15482	19118	23142

Chart 4.3 Horizontal analysis of liabilities and equity in 2013-2017

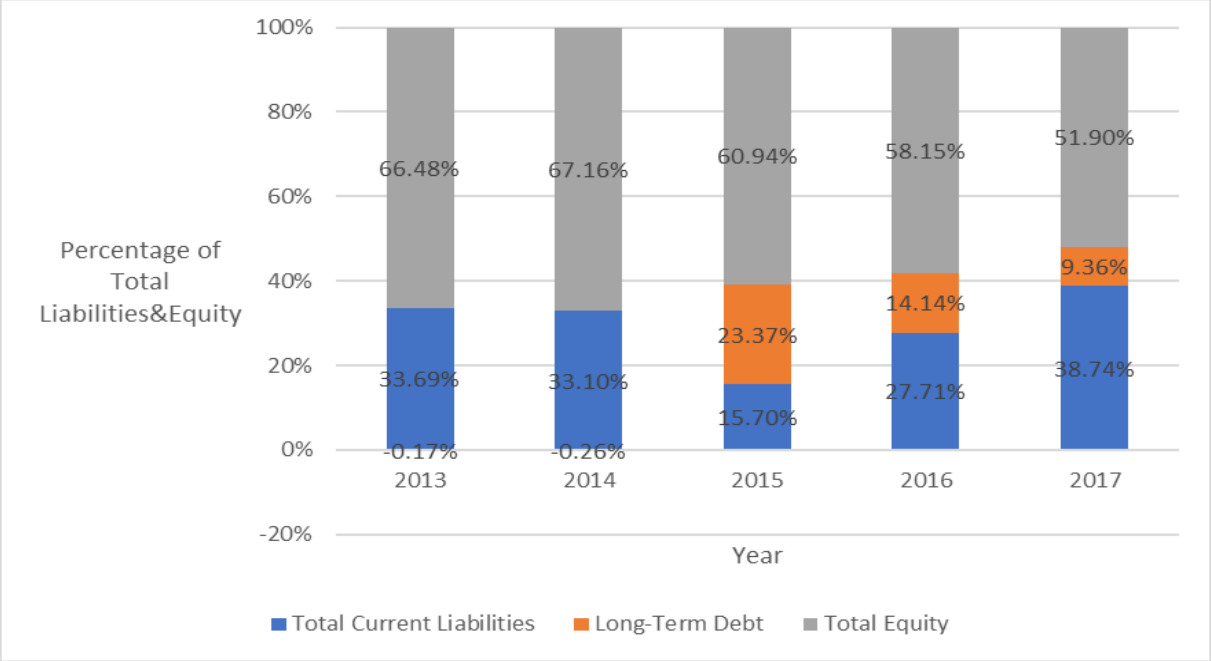


According to the basic rule of the balance sheet, total assets are equal to total liabilities plus total equity, so changes in liabilities and equity are same with changes in total assets. Through Table 4.2, we find that in 2015, total equity and long-term debt grew rapidly, increased by 6362 and 3630 million CNY respectively. Meanwhile long-term debt turned from negative to positive in 2015, and the number of bonds or other securities issued by Wanda Group increased. In 2017, total current liabilities increased significantly, with an increase of 3,669 million CNY. The increase in short-term debt and the conversion of long-term debts to short-term debts led to an

increase in total current liabilities. Pay attention to Chart 4.3, starting from 2015, the amount of long-term debt began to decrease, but the value is still higher than 2013 and 2014. The turning point of total current liabilities increased steadily in 2015-2015, but it rose rapidly from 2015 to 2017. 2014 was a turning point in the development of total equity and long-term debt. From 2014, total equity and long-term debt have entered a new stage of rapid development. Similar to the historical trend of total current liabilities, the trend of total equity and total long-term liabilities began to change in 2015, the rate of increase in total equity began to slow down, and total long-term debt began to decrease. The reason for the decrease in total long-term debt is that long-term debt maturity is converted to short-term debt.

The chart 4.4 below shows the structure of liabilities and equity.

Chart 4.4 Vertical analysis of liabilities and equity in 2013-2017



Go back to Chart 4.4, let's begin a vertical analysis of liabilities and equity in 2013-2017. The total equity ratio accounted for more than 50%, accounting for a maximum of 67.16% in 2014 and a minimum of 51.9% in 2017. The overall trend is declining and the proportion is decreasing year by year. The proportion of total current liabilities fluctuated significantly, which was an increase from 33.69% in 2013 compared with 38.74% in 2017. There is a certain internal relationship between total current liabilities and long-term debt. The proportion of long-term debt reached a maximum of 23.37% in 2015, and the same year's current liabilities accounted for at lowest 15.7%.

4.1.2 Common-size analysis of profit and loss statement

The following table 4.3 and chart 4.5-4.6 show the company's 2013-2017 revenues' situation and its trends.

Table 4.3 Revenues of the company in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
Sale	3956	5082	7652	10820	12786
Other Operating Expense	0	0	0	246	0
Non Operating Income	4	0	0	0	308
Non-Operating Intereset Income	114	137	175	57	51
Equity in Affiliates	0	0	4	15	15
Total Revenues	4074	5219	7831	11138	13160

Chart 4.5 Horizontal analysis of revenues in 2013-2017

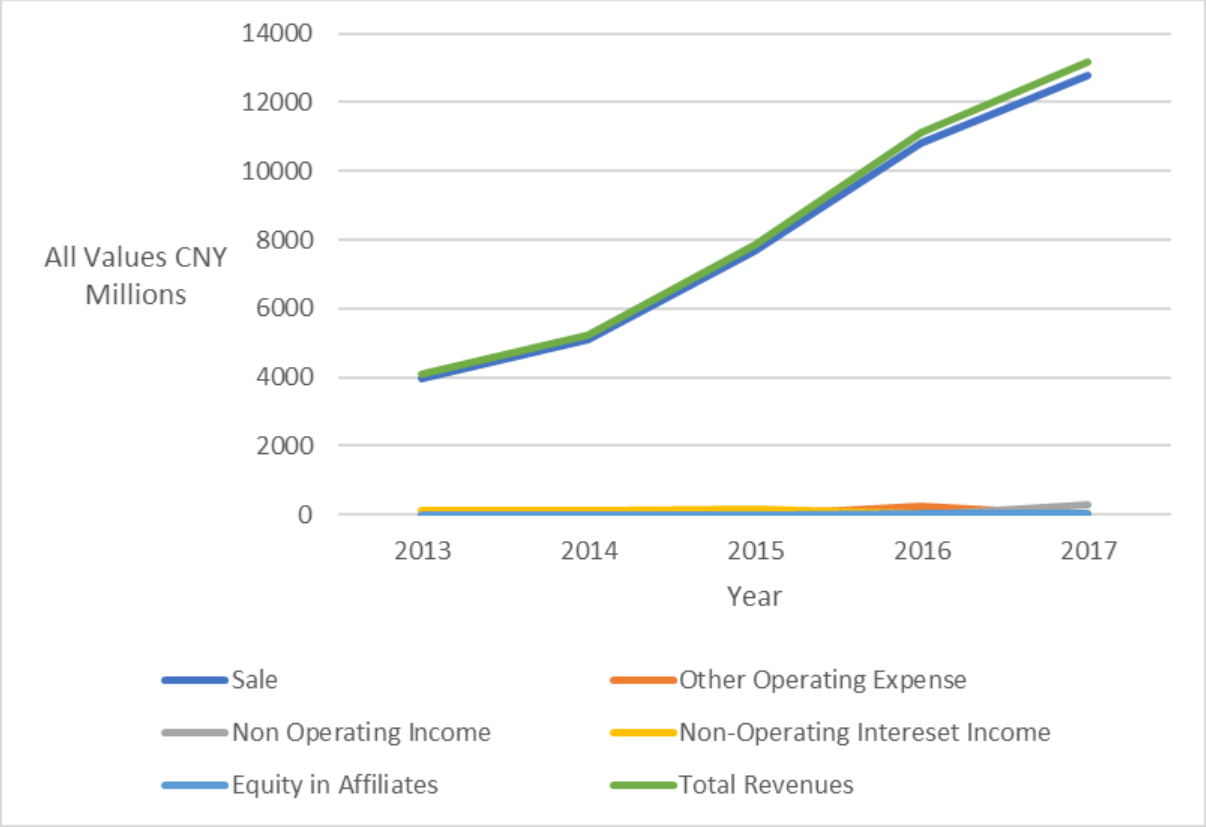
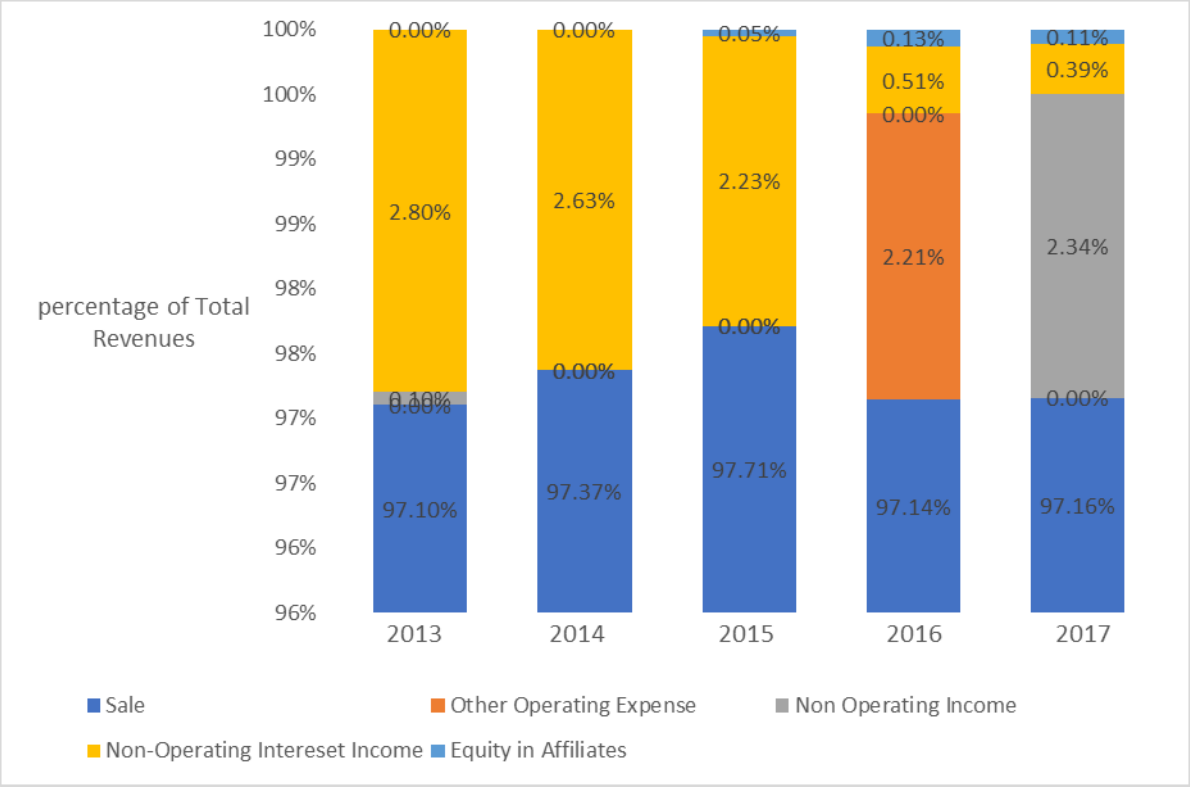


Chart 4.6 Vertical analysis of total revenues in 2013-2017



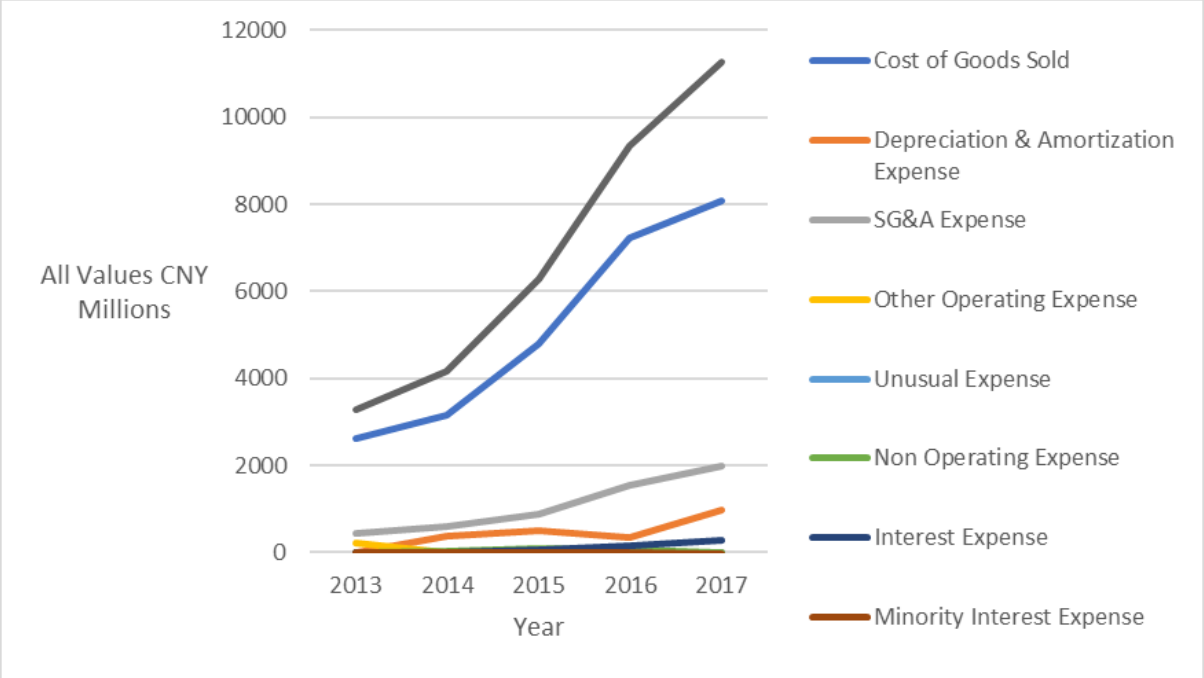
According to Table 4.3 and Chart 4.6, we analyze that the composition of total revenues is mainly sales, the two are almost equal, and the impact of other sources of income is very small. From Chart 4.5, we find that sales are increasing every year and the increase is fixed. Therefore, the increase in total revenue is mainly caused by the increase in sales. It is predicted that total revenue will continue to increase in the future.

The table 4.4 and chart 4.7-4.8 below show the company's 2013-2017 costs and expenses and its trends.

Table 4.4 Costs and expense of the company in 2013-2017 (unit: million CNY)

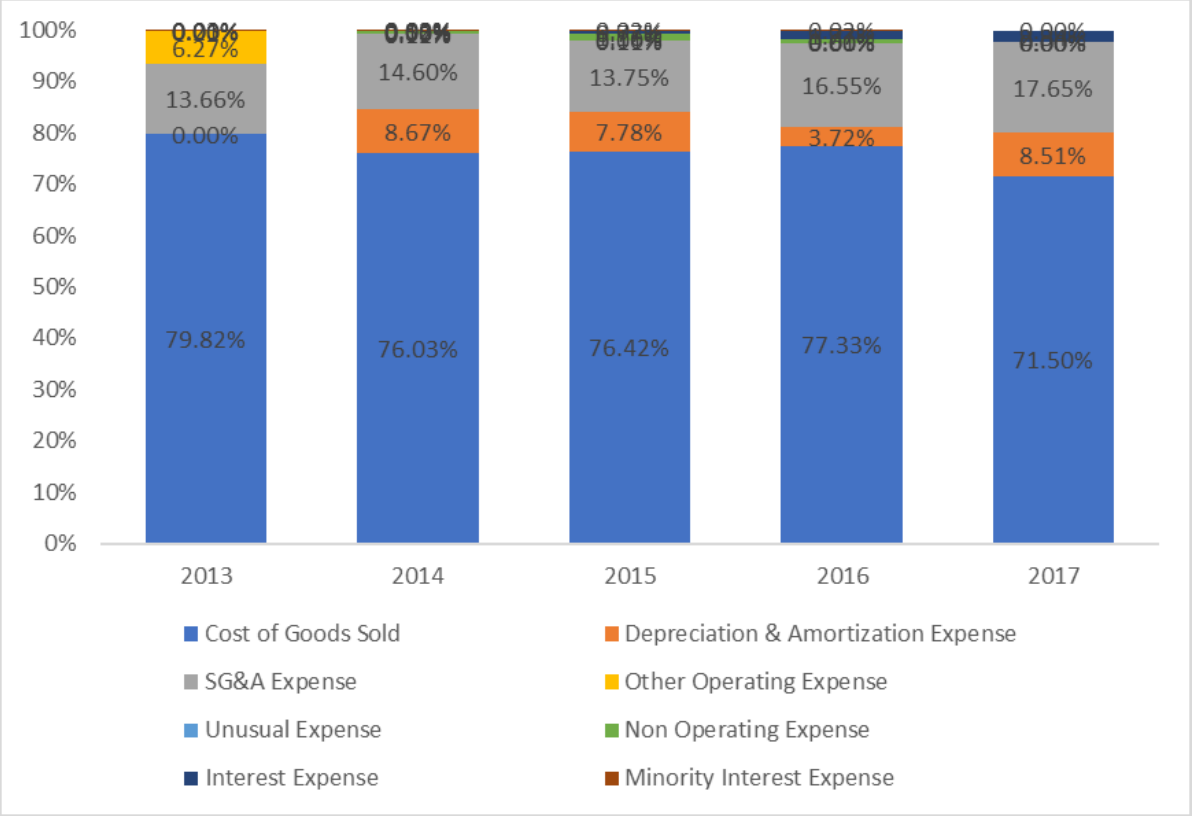
	2013	2014	2015	2016	2017
Cost of Goods Sold	2623	3165	4792	7219	8067
Depreciation & Amortization Expense	0	361	488	347	960
SG&A Expense	449	608	862	1545	1992
Other Operating Expense	206	5	7	0	0
Unusual Expense	0	0	0	0	0
Non-Operating Expense	0	23	73	57	0
Interest Expense	7	0	48	165	264
Minority Interest Expense	1	1	1	2	0
Total Cost and Expense	3286	4163	6271	9335	11283

Chart 4.7 Horizontal analysis of cost and expense in 2013-2017



From Table 4.4, 2016 is the year with the most growth. The cost of goods sold increased by 2,427 million CNY from the previous year, and the SG&A expenses increased by 683 million CNY from the previous year. The company's management strategy changes in 2016 led to an increase in these costs and expenses. At the same time, interest expenses increased by 117 million CNY in 2016 in order to pay a large amount of long-term debt's interest issued in 2015. Looking back at Chart 4.7, all cost trends are rising. Although depreciation and amortization expenses decreased during the period 2015-2016, the overall situation is still rising.

Chart4.8 Vertical analysis of cost and expense in 2013-2017



From Chart 4.8 it can be seen obviously that the cost of goods sold accounts for the majority of the company's expenses. In 2013-2017, the cost of goods sold remained above 70%. In addition, Selling, General & Administrative Expense is also an important part of the company's costs, keeping the ratio at around 15%. The proportion of depreciation expenses change greatly.

4.1.3 Common-size analysis of cash flow

The following items show the operating activities' cash inflows trend and its structure.

Table 4.5 Inflows in operating activities in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
Net Income before Extra ordinaries	603	803	1188	1368	1516
Depreciation, Depletion & Amortization	0	361	487	739	958
Deferred Taxes & Investment Tax Credit	0	0	0	0	11
Other Funds	416	47	100	198	162
Changes in Working Capital	0	56	317	0	0
Total	1019	1267	2092	2305	2647

Chart 4.9 Horizontal analysis of inflows in operating activities in 2013-2017

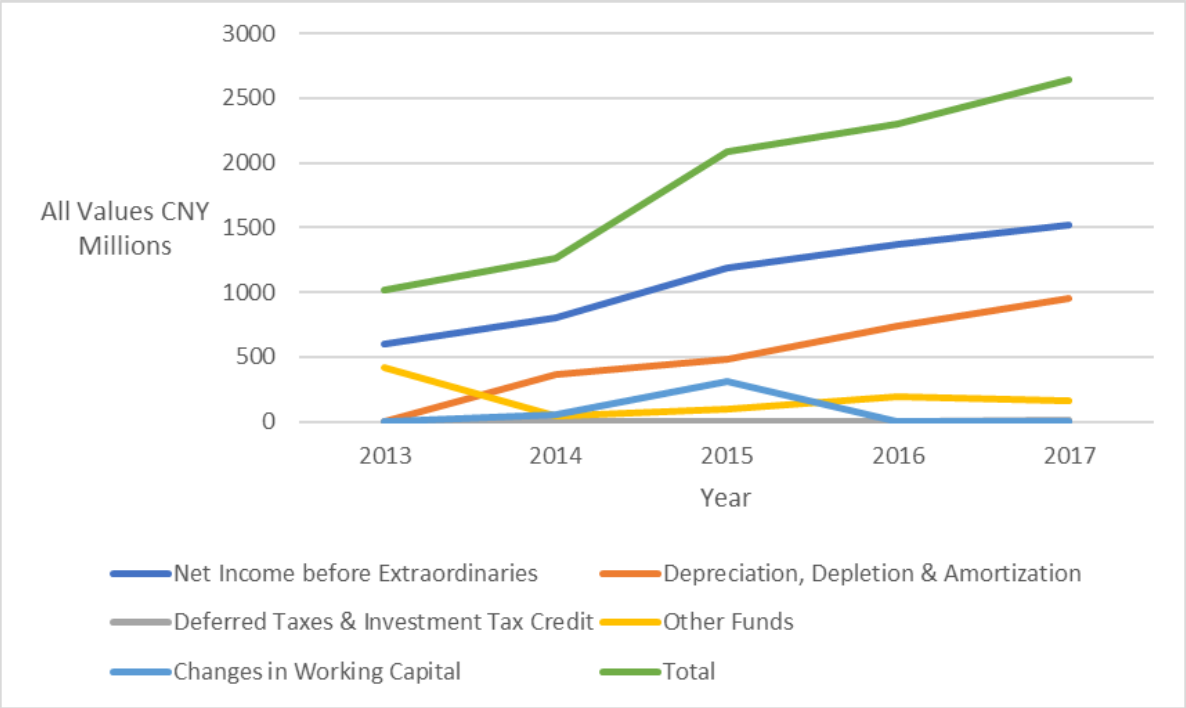
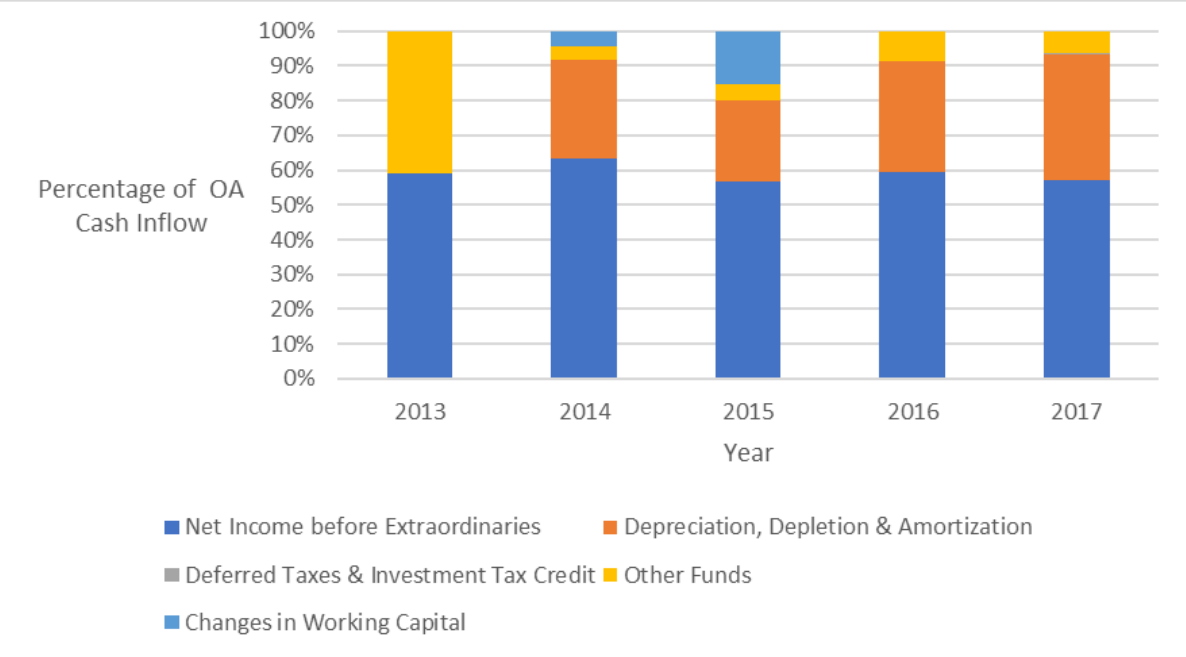


Chart 4.10 Vertical analysis of inflows in operating activities in 2013-2017



In table 4.5 we can see that all inflows of operating activities had a slowly increasing in2013-2017. In addition, there are no obvious regular patterns in items of other funds and changes in working capital. The former fell sharply in 2014 and the latter in 2015. According to Chart 4.1.9, we can feel the changes more intuitively. The curve of net income before extra ordinaries is in the first place, which has gentle volatility and rises every year. The increasing speed of this

curve keep in a relatively stable. The depreciation, depletion and amortization curve is in second place, and the trend is similar to the curve of net Income before extra ordinaries. Chart 4.10 shows that from 2013 to 2017, net income before extra ordinaries constituted the largest proportion of all inflows in operating activities, which usually reached about 60%. Depreciation, depletion and amortization is the second largest in most years. The sum of these two cash inflows is nearly accounted 80% of the all.

The following items show the operating activities' cash outflows trend and its structure.

Table 4.6 Outflows in operating activities in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
Deferred Taxes & Investment Tax Credit	0	6	3	29	0
Changes in Working Capital	0	0	0	327	632
Total	0	6	3	356	632

Chart 4.11 Horizontal analysis of outflows in operating activities in 2013-2017

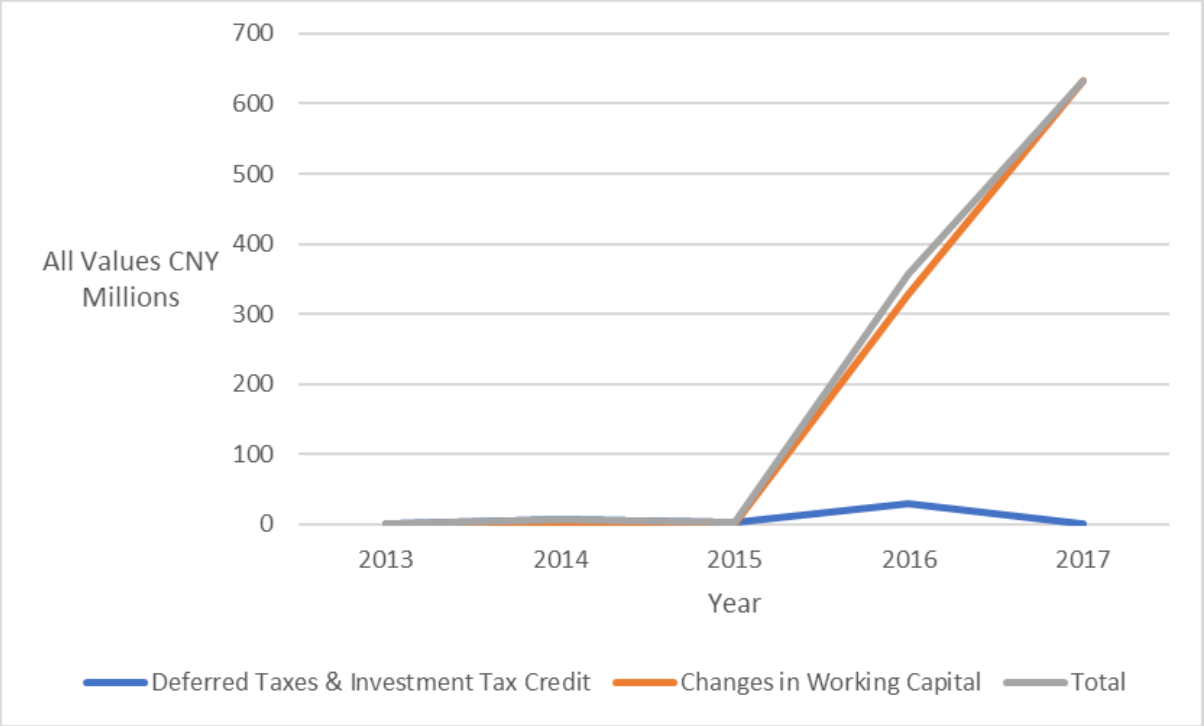
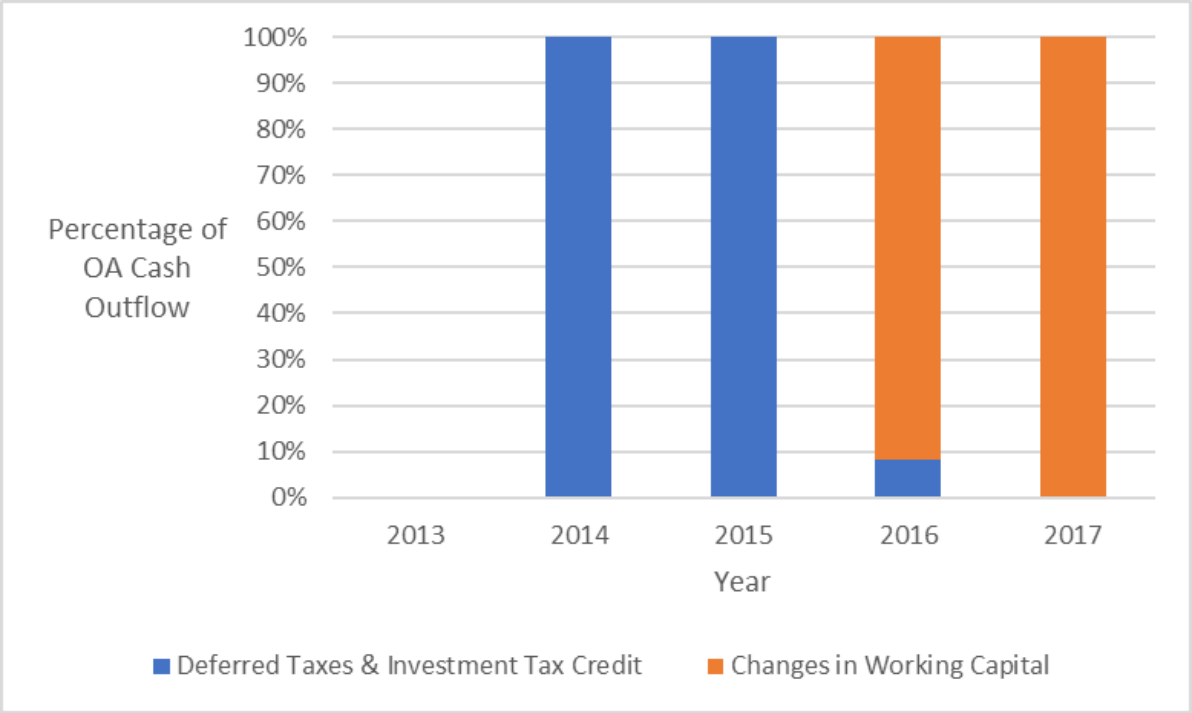


Chart 4.12 Vertical analysis of outflows in operating activities in 2013-2017



In Table 4.6 the items of outflows of operating activities are less more than inflows, especially the value of total outflows is much lower than total inflows. In Chart 4.11, it shows the horizontal analysis of outflows in operating activities. In 2013-2015, deferred taxes & investment tax credit and changes in working capital were almost zero. However, in 2016, the changes in working capital increased rapidly to 327 million CNY. 2016-2017was the peak period of changes in working capital growth. Also, in 2016, it was the turning year of deferred tax and investment tax credit cash outflow, which was from growth to reduction. From Chart 4.12, we can clearly see that the deferred tax and investment tax credit had 100% proportion in 2014-2015. In 2016, changes in working capital replaced deferred tax and investment tax credit.

The following items show the investing activities' cash inflows trend and its structure.

Table 4.7 Inflows in investing activities in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
Sale of Fixed Assets & Businesses	0	1	1	2	99
Other Sources	0	0	0	60	0
Total	0	1	1	62	99

Chart 4.13 Horizontal analysis of inflows in investing activities in 2013-2017

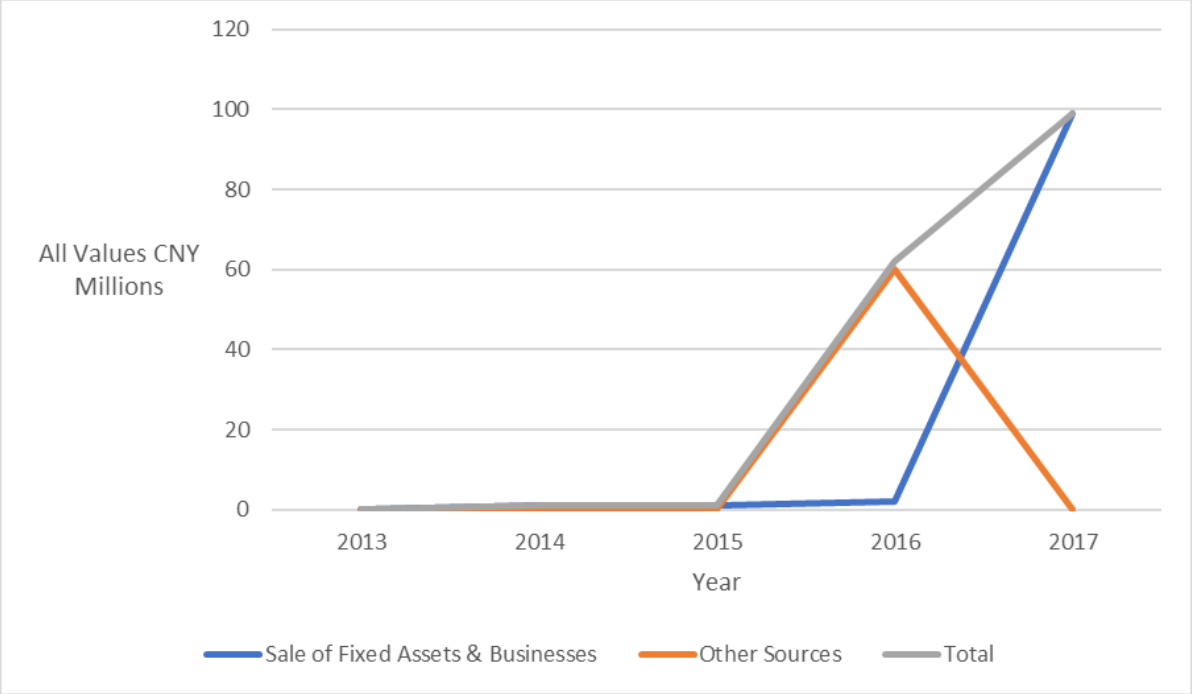
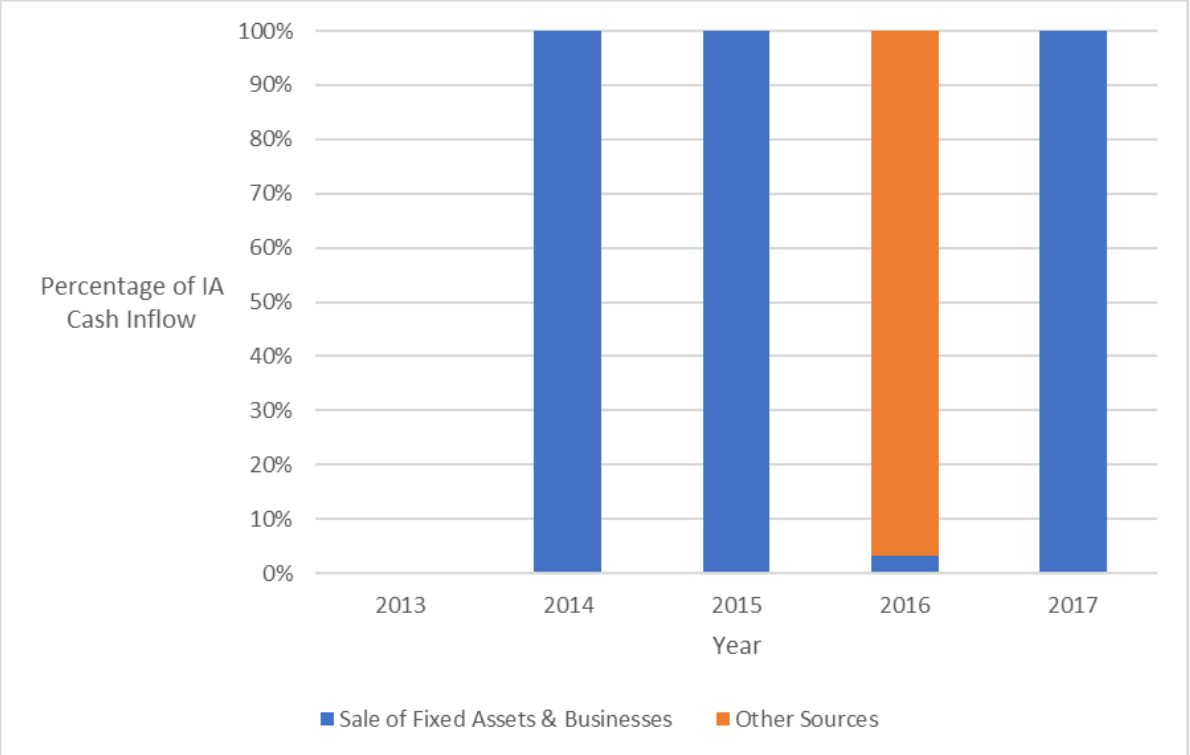


Chart 4.14 Vertical analysis of inflows in investing activities in 2013-2017



In Chart 4.13, we find that the sale of fixed assets and business suddenly increased in 2017. In 2016, other sources changed from growth to reduction, causing dramatic changes. Other sources in 2015-2016 quickly rose to 60 billion CNY, and suddenly fell to zero in 2016-2017. The change in vertical investment activity inflows is shown in Chart 4.12, and the sale of fixed

assets and business is always the largest proportion, except for 2013 and 2016. This is due to the lack of data in 2013 and the rapid increase in other sources in 2016. The sale of fixed assets and business accounts for almost all inflows because the company's main business category is real estate.

The following items show the investing activities' cash outflows trend and its structure.

Table 4.8 Outflows in investing activities in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
Capital Expenditures	537	672	1098	1496	1747
Net Assets from Acquisitions	0	17	1927	1577	611
Purchase/Sale of Investments	0	0	462	647	37
Other Uses	0	0	0	60	0
Total	537	689	3487	3780	2395

Chart 4.15 Horizontal analysis of outflows in investing activities in 2013-2017

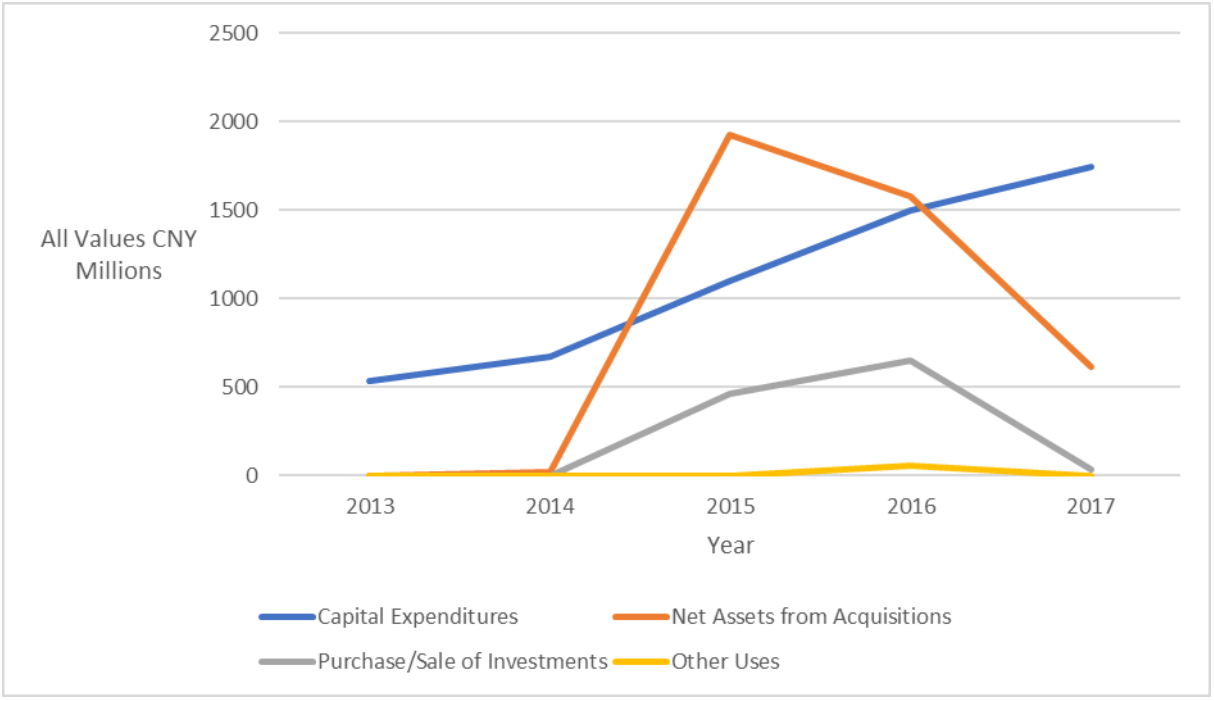
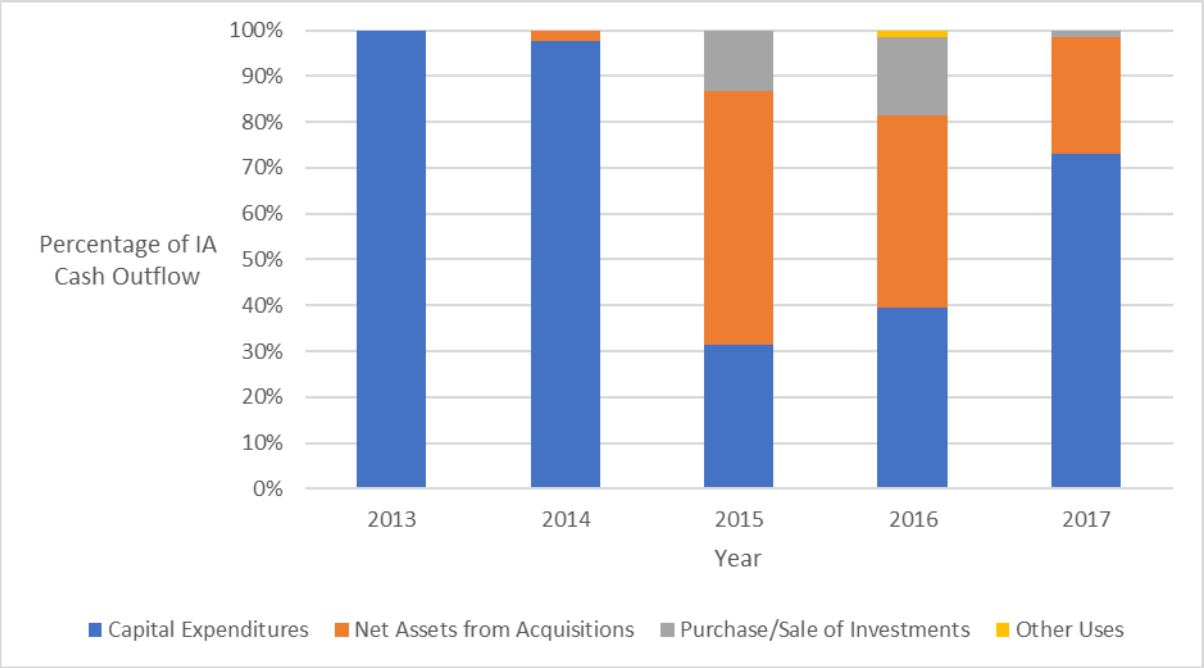


Chart 4.16 Vertical analysis of outflows in investing activities in 2013-2017



In table 4.8 there is the outflow of investing activities in 2013-2017, which has no obvious regular pattern, we can only find that capital expenditures had the bigger value. In Chart 4.15, the other uses curve is infinitely close to the horizontal line. The net assets from acquisitions curve began to increase rapidly in 2014-2015, then declined slowly in 2016, and began to fall sharply in 2017. The purchase/sale of investments curve has a small change. It increased at a constant rate in 2014-2016 and decreased in 2016-2017. From the vertical change of outflows of investing activities in Chart 4.16, capital expenditures took the lead in 2013, 2014 and 2017. In 2015-2017, the proportion of net assets from acquisitions and purchase/sale of investments has decreased, but they are still the second and third place.

The following items show the financing activities' cash inflows trend and its structure.

Table 4.9 Inflows in financing activities in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
Issuance/Reduction of Debt, Net	0	0	1057	0	2872
Other Funds	0	0	3333	0	0
Total	0	0	4390	0	2872

Chart 4.17 Horizontal analysis of inflows in financing activities in 2013-2017

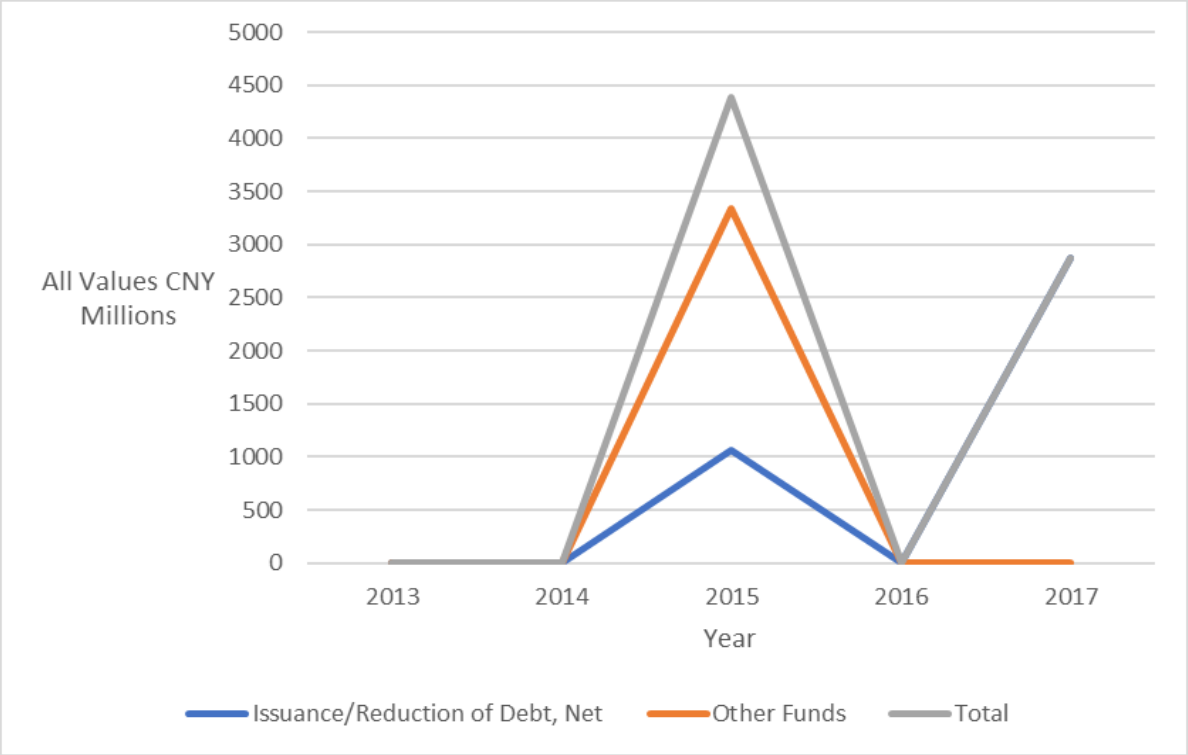
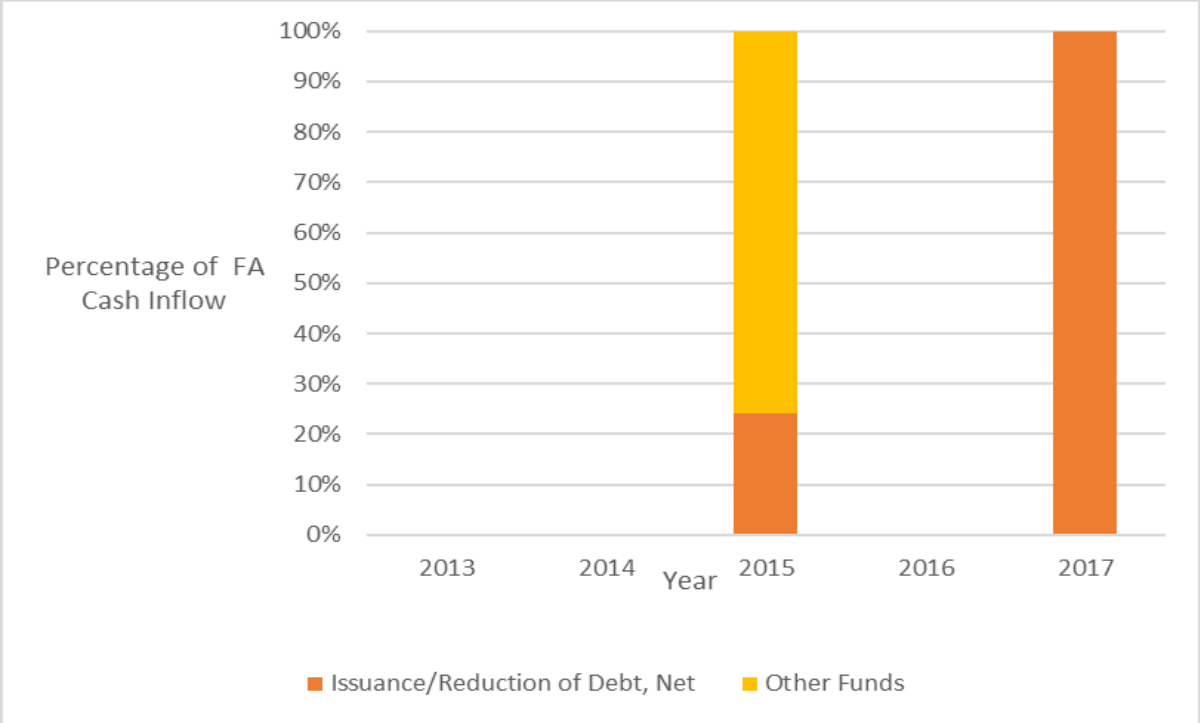


Chart 4.18 Vertical analysis of inflows in financing activities in 2013-2017



In Table 4.9 we can see the data of inflows of financing activities in 2013-2017, both of them changed a lot every year. In Chart 4.17 the horizontal changes of inflows of financing activities. 2015 is a year of change. Issuance/reduction of debt and other funds all rose rapidly during this

year. However, in 2016, Issuance/Reduction of Debt and Other Funds fell to zero. In 2017, Issuance/Reduction of Debt rose back to 2872 million CNY. Chart 4.18 shows that only the 2015 and 2017 data can be vertically analyzed. In 2015, other funds accounted for more than 75%, and in 2017 other funds accounted for zero. The proportion of issuance/reduction of debt in 2015 was small but became a full part of the financing activity inflows in 2017.

The following items show the investing activities' cash outflows trend and its structure.

Table 4.10 Outflows in financing activities in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
Cash Dividends Paid	0	0	447	235	235
Issuance/Reduction of Debt, Net	0	0	0	213	0
Other Funds	2	2	0	151	1476
Total	2	2	447	599	1711

Chart 4.19 Horizontal analysis of outflows in financing activities in 2013-2017

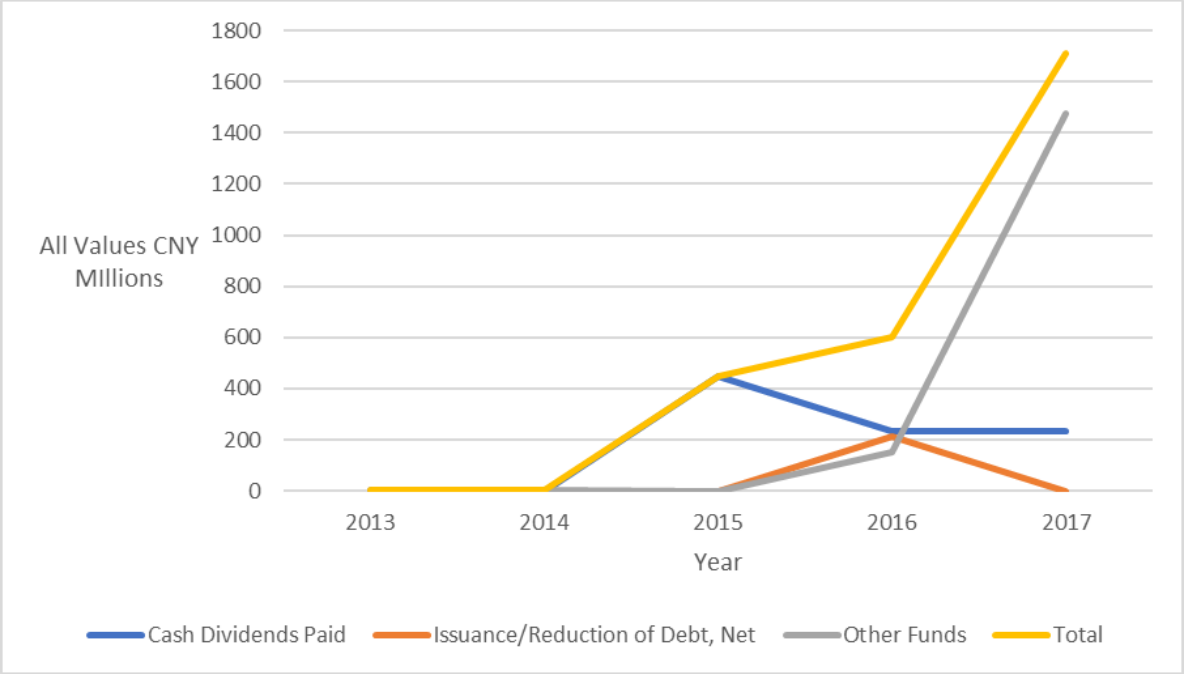
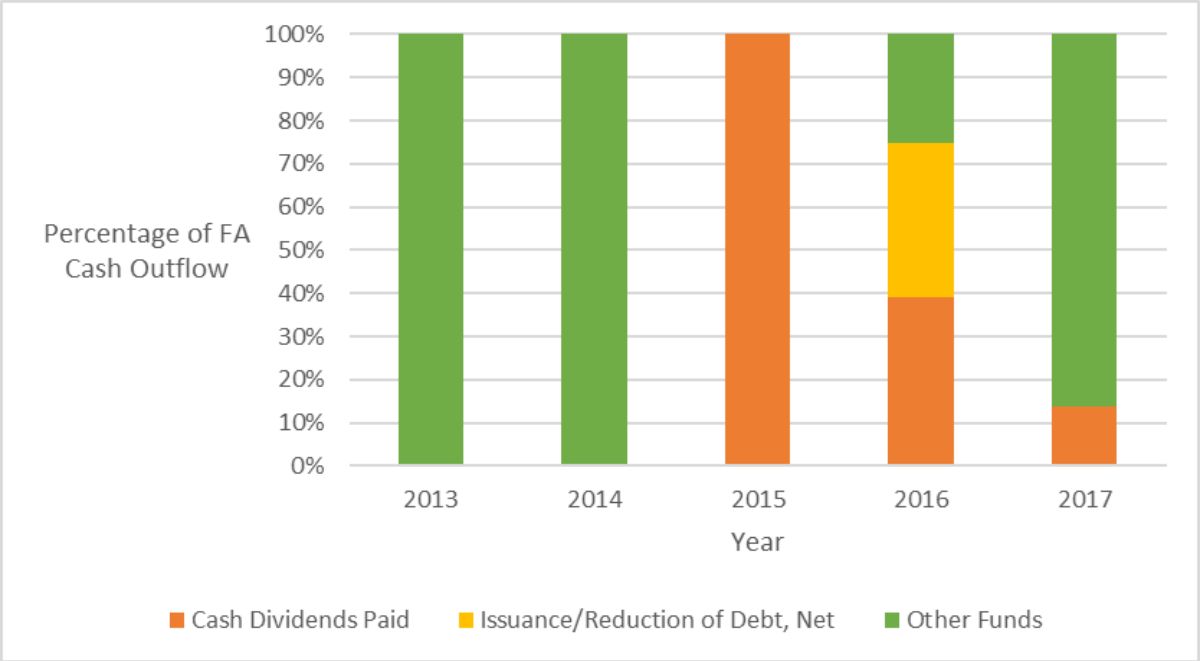


Chart 4.20 Vertical analysis of outflows in financing activities in 2013-2017



In table 4.10 we can see the outflows of financing activities in 2013-2017, cash dividends paid and other funds had very big value among these items in 5 years. According to Chart 4.19, it shows that there is no obvious development trend for various outflows. But total outflow is on the rise. In 2015, the cash dividends paid curve suddenly rose. In 2016, the curve fell and remained former level. The other funds curve soared in 2016 and continued to rise in 2017. Issuance/reduction of debt, net curve has the least volatility, only a small increase in 2016, then fell in 2017.In Chart 4.20, other funds usually account for the largest proportion, except 2016-2017 with a small proportion. In 2015-2017, the proportion of cash dividends paid has changed drastically, from first to third.

4.2 Financial ratios analysis

There is a large amount of data in the financial statements, and many economically meaningful ratios can be calculated based on these data. These ratios cover all aspects of business management. Investors, creditors and so on can use these ratios to make decisions which are beneficial of themselves and create more profit. Investors want to accurately grasp the company's financial status and predict future development trends through a lot of information that listed companies disclose public their financial information. The conclusion is that it is very significant to use the financial ratio correctly. Financial ratios can be divided into

four categories: profitability ratios, asset management (activity) ratios, liquidity ratios, and solvency (leverage) ratios. These ratios can all be calculated through the data in financial statements. The four types of ratios will be analyzed in detail below, and the Wanda Group's five-year financial ratio data changes will be compared vertically to arrive at the conclusion of the company's development trend.

4.2.1 Profitability ratios analysis

Profitability is the company's ability to make a profit. The higher the profitability ratios are, the better the powerful of the company have. Generally speaking, corporate profitability only involves normal business conditions, and abnormal business conditions should be excluded from the analysis. The data for analyzing the profitability of listed companies usually have net profit margin (NPM), operating profit margin (OPM), return on assets (ROA) and return on equity (ROE). In order to calculate the profitability ratios, we will use the formula from (2.5) to (2.8) to get the result of ratios.

The next table 4.11, table 4.12 and chart 4.21 show the details of the profitability ratios.

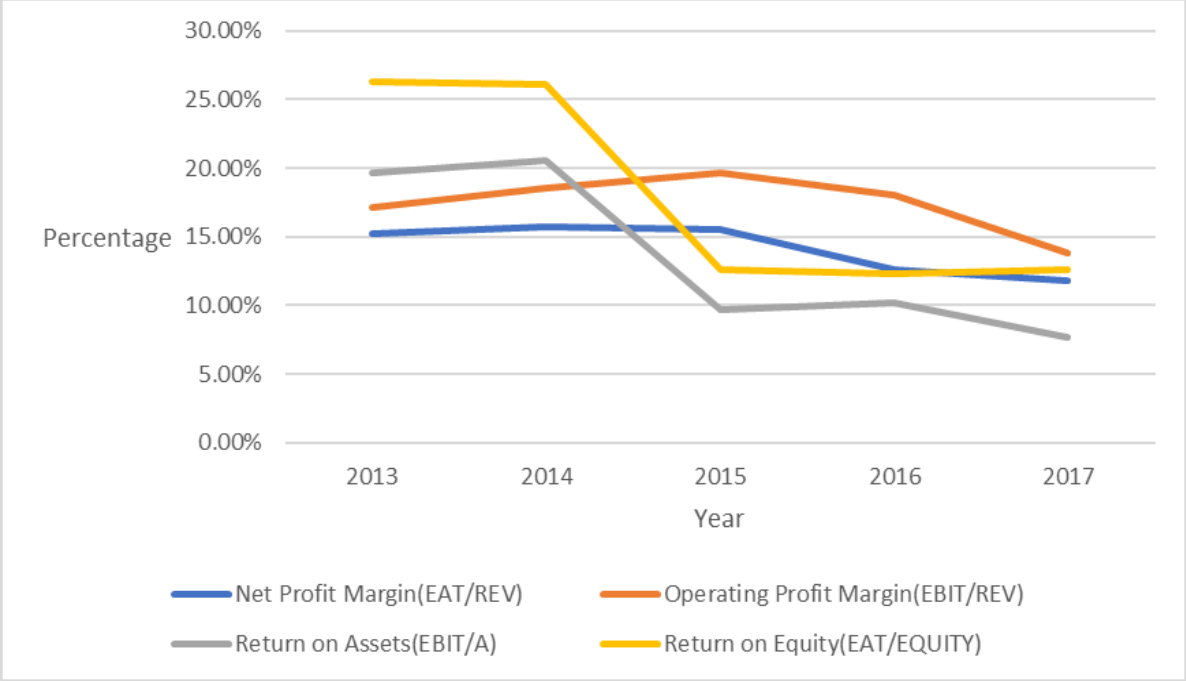
Table 4.11 EAT、EBIT、Revenues、Assets, Equity in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
EAT	603	801	1186	1366	1516
EBIT	678	943	1503	1955	1767
Revenues	3956	5082	7652	10820	12786
Assets	3452	4574	15482	19118	23142
Equity	2295	3072	9434	11117	12010

Table4.12 Financial ratios of profitability ratios in 2013-2017(unit: %)

	2013	2014	2015	2016	2017
Net Profit Margin (EAT/REV)	15.24	15.76	15.50	12.62	11.86
Operating Profit Margin (EBIT/REV)	17.14	18.56	19.64	18.07	13.82
Return on Assets (EBIT/A)	19.64	20.62	9.71	10.23	7.64
Return on Equity (EAT/EQUITY)	26.27	26.07	12.57	12.29	12.62

Chart4.21 Financial ratios of profitability ratios in 2013-2017



Based on Table 4.12, we can conclude that net profit margin, operating profit margin, return on assets and return on equity are decreasing. This means that Wanda Group's profitability has declined. In 2015, the decline in return on assets and return on equity was the most serious, with a decrease of 10.91 percentage points and 13.5 percentage points respectively. At the same time, the operating profit margin increased by 1.09 percentage points only in the year. Returning to Table 4.11, in 2015, the increase in assets and equity was more than twice that of EAT and EBIT, so return on assets and return on equity decreased greatly. As it shows in Chart 4.21, net profit margin and operating profit margin developed steadily in 2013-2015, and fell slightly in 2015-2017. Return on assets and return on equity rose steadily in 2013-2014, falling rapidly in 2014-2015, and still falling in 2015-2017.

4.2.2 Liquidity ratios analysis

The liquidity ratio is a measure of a company's ability to make assets transfer into cash in the short term. The faster the asset is turned into cash, the higher the company's ability to cope with short-term debt risk. In other words, the liquidity ratio shows how much cash the company has and the ability to convert other assets into cash to pay off debt and other liabilities. The basic liquidity ratios are current ratio, quick ratio and cash ratio. We will use formula (2.9), (2.10) or

(2.11) and (2.12) to calculate current ratio, quick ratio and cash ratio.

The next tables and charts show the details of the liquidity ratios.

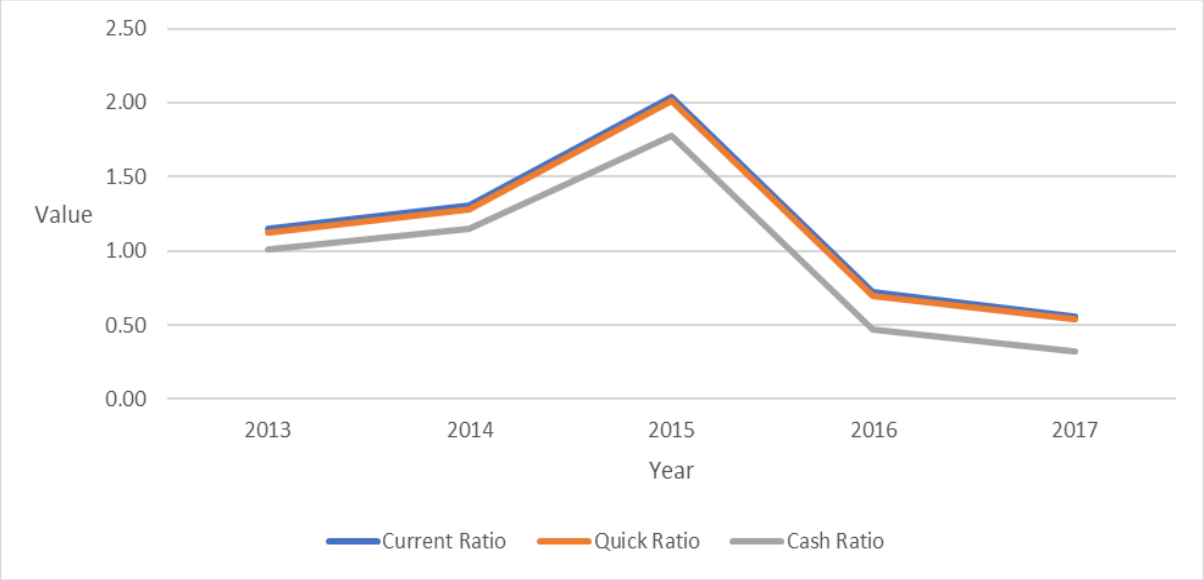
Table 4.13 Total current assets、Total current liabilities、Cash and Short term investments and Inventories in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
Total Current Assets	3956	5082	7652	10820	12786
Total Current Liabilities	1163	1514	2430	5297	8966
Cash & Short Term Investments	1175	1746	4312	2474	2851
Inventories	32	39	82	159	172

Table4.14 Financial ratios of liquidity ratios in 2013-2017

	2013	2014	2015	2016	2017
Current Ratio	1.15	1.31	2.04	0.72	0.56
Quick Ratio	1.12	1.28	2.01	0.69	0.54
Cash Ratio	1.01	1.15	1.77	0.47	0.32

Chart4.22 Financial ratios of liquidity ratios in 2013-2017



From the data in Table 4.14, we can find that the current ratio, quick ratio and cash ratio are all rising in 2013-2015. In 2016, the three indicators fell simultaneously and maintained a downward trend until 2017. The three indicators for 2016-2017 are all under 1. When the current ratio is less than 1, the company's short-term current liabilities are more than current assets. When the quick ratio is less than 1, the liquid assets used by the company to repay current liabilities are insufficient to fully repay. When the cash ratio is below 1, the current liabilities are more than cash and cash equivalents, and the company is unable to pay back all short-term current liabilities. 2016 and 2017, for the Wanda Group, they are dangerous two year. However,

the fact that the three indicators are below 1 does not indicate that the company's operations are unfavorable. The full use of liquid assets for reinvestment also causes the indicator to be below 1. Pay attention to Table 4.13, total current assets, total current liabilities and inventories have been increasing over the past five years. Cash and short-term investments increased in 2013-2015, especially in 2015, which tripled from 2014 to reach a maximum of 4,312 million CNY, which fell in 2016-2017.

In Chart 4.22, we can see three curves with similar trends. The current ratio curve and the quick ratio curve almost coincide, and the cash ratio curve is the lowest, which all of them went up in 2013-2015 with slow speed, then went down sharply in 2016-2017 especially in 2016.

According to those data and curves, we can easily analyze that the company has encountered some troubles in 2017, such as the company's management decision-making mistakes or changes in the macro economy, resulting all the ratios arrived at the lowest level.

4.2.3 Solvency ratios analysis

The solvency ratio is a measure of the company's ability to repay long-term debt, including interest, and is also known as the financial leverage ratio. The aim of the solvency ratios is to know whether the company have enough cash flow to pay off the debt or not. The lower the solvency ratio, the higher the risk of default. Therefore, it is an important basis for investors to invest. The basic solvency ratios are debt ratio, debt to-equity ratio and long-term debt-equity ratio. We calculate the debt ratio by (2.13), and use the (2.14) to obtain the debt-to-equity ratio. To calculate the long-term debt-equity ratio, we use the (2.15).

The next tables and charts show the details of the solvency ratios.

Table 4.15 Total assets、Total liabilities、Total equity、Long-term debt in 2013-2017

(unit: million CNY)

	2013	2014	2015	2016	2017
Total Assets	3452	4574	15482	19118	23142
Total Liabilities	1157	1502	6048	8001	11132
Total Equity	2295	3072	9434	11117	12010
Long-Term Debt	-6	-12	3618	2704	2166

Table 4.16 Financial ratios of solvency (leverage) ratios (unit: %)

	2013	2014	2015	2016	2017
Debt Ratio	33.52	32.84	39.06	41.85	48.10
Debt-to-equity Ratio	50.41	48.89	64.11	71.97	92.69
Long-term Debt-equity Ratio	-0.26	-0.39	38.35	24.32	18.03

Chart 4.23 Financial ratios of solvency (leverage) ratios

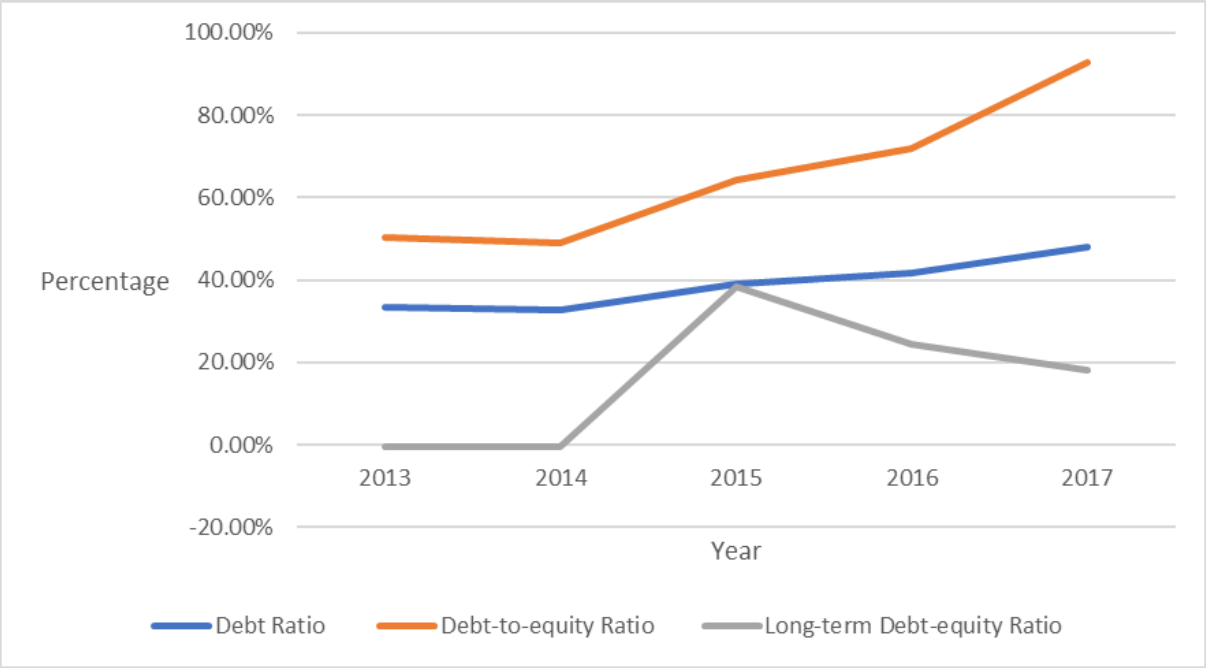


Table 4.15 shows that the total assets are more than twice as much as the total liabilities, and the difference between total equity and total liabilities is getting smaller and smaller. These three data have steadily increased in five years. At the same time, the trend of long-term debt is rising first and then drop, with a maximum value of 3,618 million CNY in 2015.

Based on the data in Table 4.15, the results of Table 4.16 are calculated. The debt ratio increases steadily but the value is controlled below 50%. The debt-to-equity ratio becomes bigger and bigger with the difference between total equity and total liabilities reduced. The long-term debt ratio is the largest in 2015, the same as the change in long-term debt. The higher the debt ratio, the greater the financial risk. According to Table 4.16, the debt ratio is always below 50%. Wanda Group's financial risk is not relatively small, the liability is half of the assets, and the company's solvency is not as better as investors guess. The debt-to-equity ratio is usually used to measure the value of a company's debt relative to its net assets. High debt-to-equity ratios are often associated with high risk. Wanda Group's debt-to-equity ratio is higher year by year and close to 1 in 2017. This means that in 2017, Wanda Group's debt and equity

are basically the same, and it needs to actively finance the growing debt. The long-term debt-equity ratio increased in 2013-2015 and decreased in 2016-2017, reflecting the sharp increase in short-term debt of Wanda Group in 2016-2017. A long-term debt-to-equity ratio is likely to increase the risk of bankruptcy, because the company cannot pay interest on long-term bonds when the cash flow breaks.

According to Chart 4.23, the debt-to-equity ratio curve is at the top and is a rising curve, as the trend of the curve will exceed 100% in the future. The development of the debt ratio curve is the most gradual in the second place. The most volatile is the long-term debt-equity curve. In 2013-2014 curve is parallel to the horizontal axis. In 2015, the curve sharply goes up, in 2016-2017 the curve goes down but still higher than curve in 2013-2014.

4.2.4 Activity ratios analysis

The activity ratios are used to measure the extent to which a company uses assets and to understand the efficiency of asset use. The activity ratio has a direct impact on liquidity. It is important to determine whether a company's management is doing well enough to generate revenue and cash from its resources. There are four basic ratios, they are average collection period, accounts receivable turnover, total assets turnover, and inventory turnover.

The following tables show the basic data which were used in calculating activity ratios and the result of activity ratios.

Table 4.17 Total accounts receivable、Revenues/sales、Total assets、Cost of goods sold and Inventories in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
Total Accounts Receivable	80	157	487	992	1719
Sales/Revenue	3956	5082	7652	10820	12786
Total Assets	3452	4574	15482	19118	23142
Cost of Goods Sold (COGS) incl. D&A	2623	3526	5280	7566	9027
Inventories	32	39	82	159	172

Table 4.18 Financial ratios of activity ratios

	2013	2014	2015	2016	2017
Average Collection Period (ACP)	7.28	11.12	22.91	33.01	48.40
Accounts Receivable Turnover (ART)	49.45	32.37	15.71	10.91	7.44
Total Assets Turnover (TAT)	1.15	1.11	0.49	0.57	0.55
Inventory Turnover (IT)	81.97	90.41	64.39	47.58	52.48

From the data in Table 4.17, we analyze that total accounts receivable, revenues/sales, total assets, cost of goods sold and inventories increase in 2013-2017. Total accounts receivable reached a maximum in 2017, an increase of 727 million CNY. Revenues/sales increased by approximately 200 million CNY per year. Total assets increased by a maximum of 10,908 million CNY in 2015. The cost of goods sold is growing year by year.

In order to calculate the activity ratios, we use the formula (2.17) to (2.20). According to the data in Table 4.17, the results of Table 4.18 are obtained. The average collection period index is increasing every year, as accounts receivable are the most in 2017, the average collection period is 48.4 days in 2017. This means that in 2017, Wanda Group will take 48.4 days to collect company accounts receivable. Low average collection periods are generally more attractive than high average collection periods. The low average collection period indicates that the company collects accounts receivable faster, but this can lead to strict credit conditions, and customers turn to companies that are looking for more relaxed payment terms. The receivables turnover rate is declining over the past five years, and the value is getting smaller and smaller in 2017, which is 7.44. The low accounts receivable turnover indicates that the company's collection of accounts receivable is inefficient, and may also indicate that Wanda Group uses debt as its operational basis. Inventory turnover goes up first, then goes down, at last goes up. Generally speaking, high inventory turnover brings high liquidity, powerful sales, fast conversion of inventory into cash or accounts receivable, and low inventory occupancy. The change in total asset turnover is similar to inventory turnover. Wanda Group's assets create low profit. As a real estate group, Wanda Group has a huge asset base and volatile sales, so the total asset turnover is low.

Next chart 4.24,4.25 and 4.26 are the trends of each ratios.

Chart 4.24 Financial ratios of activity ratios

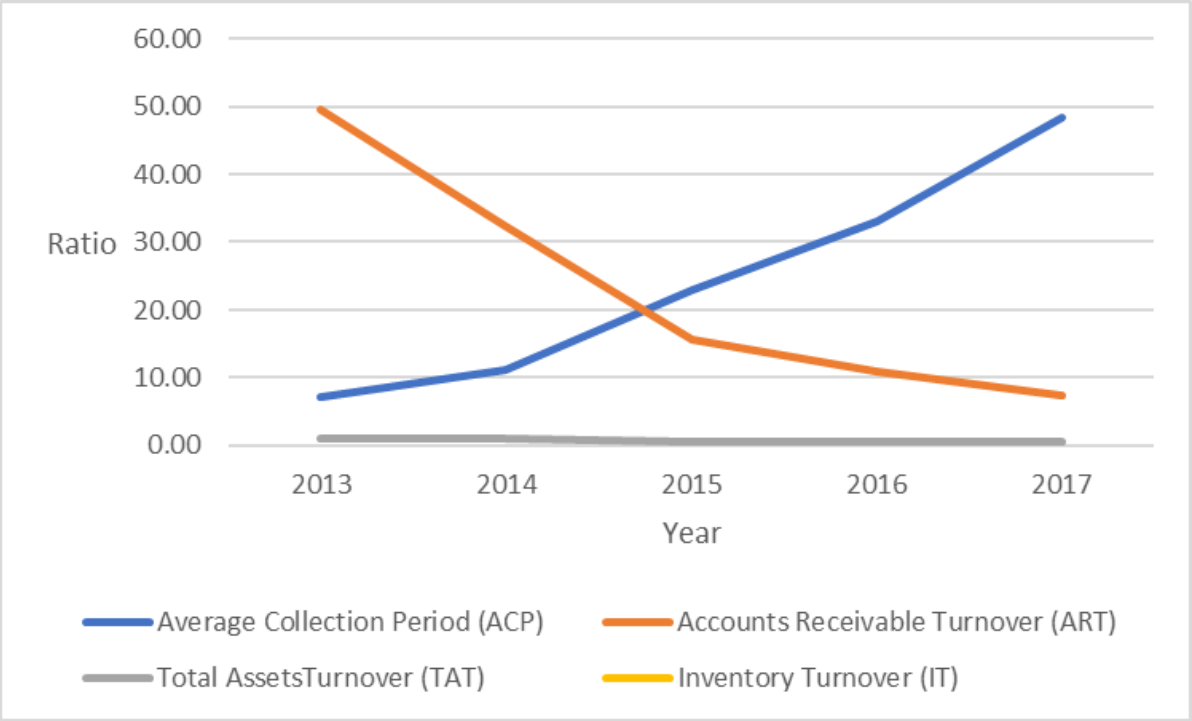


Chart 4.25 Financial ratios of activity ratio

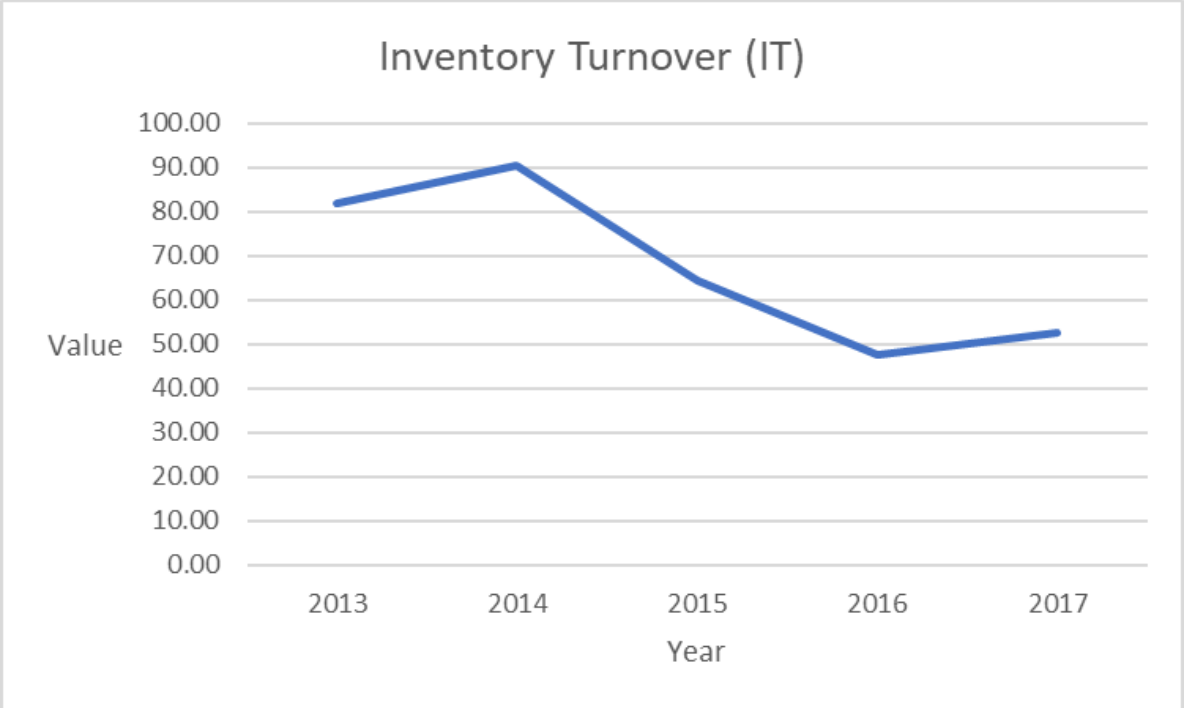
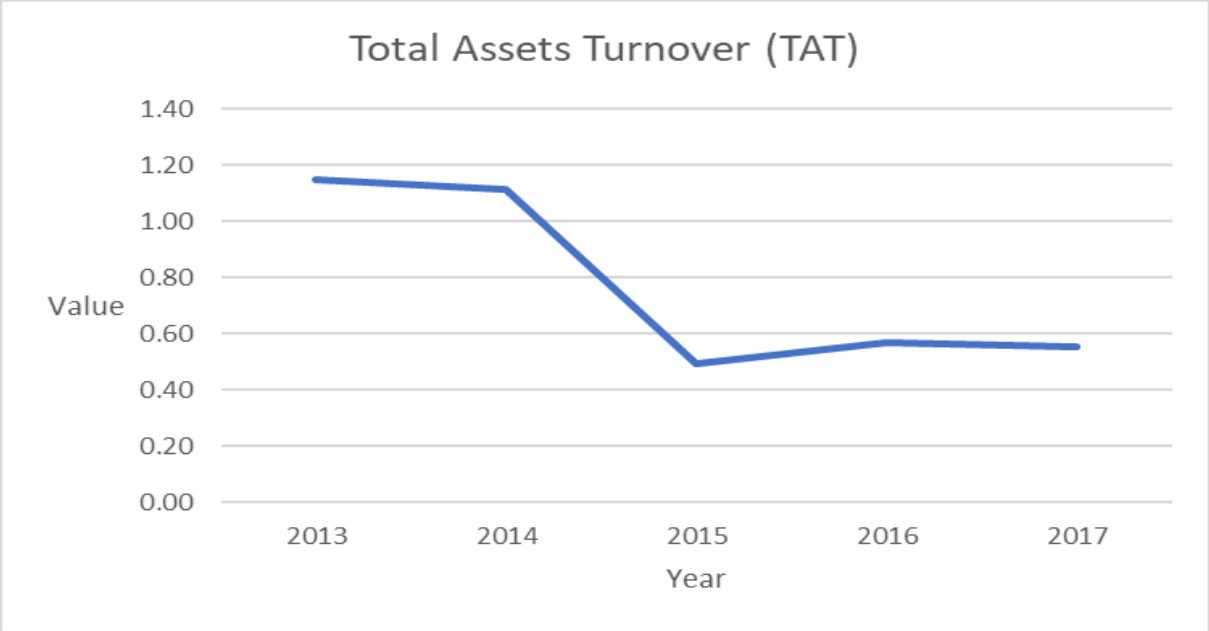


Chart 4.26 Financial ratios of activity ratio



The average collection period refers to the efficiency with which the company converts accounts receivable into time, such as how much time company will spent recovering accounts receivable from customers. In Chart 4.24, the average collection period curve for the five-year period 2013-2017 goes up. The accounts receivable turnover determines the ability of the company to recover receivables from customers. The ratio shows how quickly the company pays or collects short-term debts and how much times the accounts receivable will be rolled in a year. According to Chart 4.24, the accounts receivable turnover curve is inversely proportional to the average collection period curve. In 2013-2017, the accounts receivable curve was declining. The reason for this phenomenon is related to the calculation of the average collection period and accounts receivable turnover.

Inventory turnover is a measure of how often inventory is used or sold in a year. The higher the inventory turnover rate, the easier it is for companies to sell inventory to cash or receivables. Calculating inventory turnover can help companies make better decisions in production, transportation, pricing, and more. In Chart 4.25, the slightly increase in 2013-2014, the sharp decline in 2014-2015, and the slow growth in 2015-2017. In 2014, the inventory turnover rate reached its peak.

The total asset turnover rate is an indicator of the benefits that a company uses to create profits. The low total asset turnover rate indicates that the company holds more inventory than

it sells. Going back to Chart 4.26, the 2013-2015 total asset turnover curve goes down, especially in 2015, the most intense decline and reached its lowest, then a slow increase in 2016-2017.

4.3 Pyramidal decompositions and influence quantification

The purpose of pyramidal decomposition is to analyze the factors that have the greatest impact on financial ratios. The basic principle is to express the basic ratio by multiplying several component ratios. A basic example of pyramidal decomposition is the DuPont analysis. The return on equity is expressed by the product of net profit margin, assets turnover and financial leverage. By influencing quantification, find the component ratio which changes have caused change on the basic ratio ROE. There are five methods which can calculate quantification of influence, they are respectively method of gradual changes, method of decomposition with surplus, logarithmic decomposition method, functional decomposition method, integral method. Here we will use the functional decomposition method to decompose the ROE of 2013-2017. It is helpful for depth analysis of ROE. The functional decomposition method applies to the relative change in the basic ratio and the composition ratio and makes sense regardless of the result of the relative change.

Firstly, we need to calculate the absolute change Δ_x and relative changes R_x of ROE. Then, we calculate the relative changes R_{a1} of net profit margin, the asset turnover and the financial leverage. Third, the data of Table 4.10 is brought into the formula of the functional decomposition method to quantify the influence of the component ratio. Finally, we can and order the ratios according to their impact on the basic ratio.

This is the data used in pyramidal decompositions.

Table 4.19 Data for formula in 2013-2017 (unit: million CNY)

	2013	2014	2015	2016	2017
EAT	603	801	1186	1366	1516
Revenues	3956	5082	7652	10820	12786
Assets	3452	4574	15482	19118	23142
Equity	2295	3072	9434	11117	12010

The data in Table 4.20 is calculated using formula (2.22). By bringing the assets, equity, income, and earning after tax data shown in the 2013-2017 financial report into the formula

(2.23), we can get the data calculated by the functional method. The calculation data for 2013-2017 is compiled to arrive at Table 4.21.

Here is the result of ROE, absolute change of ROE and relative change of ROE.

Table 4.20 ROE、Absolute change、Relative change in 2013-2017 (unit: %)

	2013	2014	2015	2016	2017
ROE	26.3	26.1	12.6	12.3	12.6
Absolute change		-0.20	-13.5	-0.28	0.34
Relative change		-0.76	-51.79	-2.26	2.73

In Table 4.19, we can see all the data needed in the formula, they are EAT, revenues, total assets and equity, all of them are rising in 2013-2017. The ROE for the period 2013 to 2017 was calculated using the EAT and equity data in Table 4.19.ROE decreased in 2013-2016, and it in 2017 increased by 0.3 percentage points compared with 2016. From Table 4.20, the absolute change and relative change of ROE are only available in 2014-2017. Both absolute change and relative change were reduced in 2013-2014 and raised in 2015-2017. Both have the same trend. The relative change in 2015 was reduced by 51.02%, which was the year with the largest reduction. Meanwhile, the absolute change was also the largest change in 2015, a decrease of 13.3%.

The following four tables are the result of 2013-2017 influence quantifications.

Table 4.21 Result of Result of influence quantification of functional decomposition method

2013-2014					
	a2013	a2014	Ra	ΔXai	order
a1=EAT/REV	0.152	0.158	0.034	0.88%	1
a2=REV/A	1.146	1.111	-0.030	-0.81%	3
a3=A/E	1.504	1.489	-0.010	-0.27%	2
sum	X	X	X	-0.20%	X

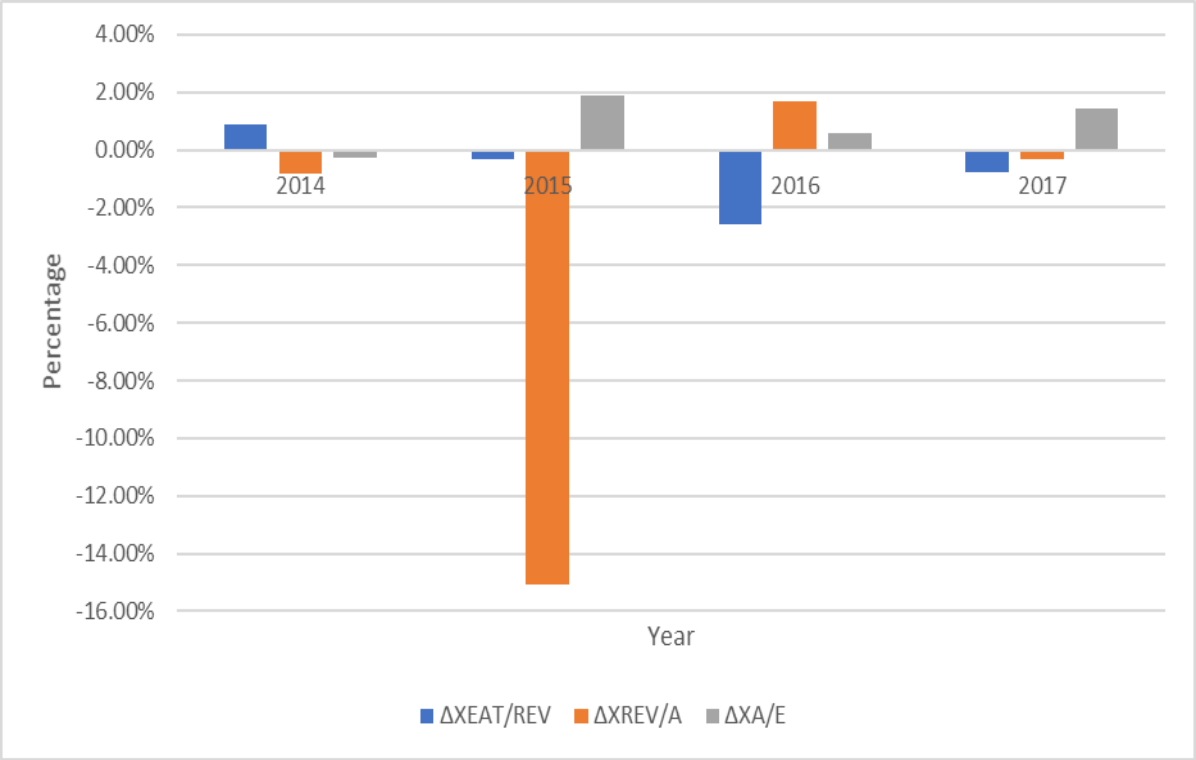
2014-2015					
	a2014	a2015	Ra	ΔXai	order
a1=EAT/REV	0.158	0.155	-0.017	-0.33%	2
a2=REV/A	1.111	0.494	-0.555	-15.09%	3
a3=A/E	1.489	1.641	0.102	1.91%	1
sum	X	X	X	-13.50%	X

2015-2016					
	a2015	a2016	Ra	ΔXai	order
a1=EAT/REV	0.155	0.126	-0.185	-2.56%	3
a2=REV/A	0.494	0.566	0.145	1.69%	1
a3=A/E	1.641	1.720	0.048	0.58%	2
sum	X	X	X	-0.28%	X

2016-2017					
	a2016	a2017	Ra	ΔXai	order
a1=EAT/REV	0.126	0.119	-0.061	-0.78%	3
a2=REV/A	0.566	0.553	-0.024	-0.30%	2
a3=A/E	1.720	1.927	0.120	1.42%	1
sum	X	X	X	0.34%	X

Chart above is vsual influence.

Chart 4.27 The influence of component ratio in 2013-2017



According to Table 4.21, we can find without effort that each year, the order of component ratios is different. And the sum of influence is negative. In the 2013-2014 fiscal year, the biggest factor is the net profit margin. In the next three years, net profit margin gradually lost its influence until it has the smallest impact. During 2013-2015, assets turnover has been the least influential component ratio. Although the impact of assets turnover jumped to the first place in the 2015-2016 fiscal year, the impact of assets turnover fell in second place in 2016-2017. Financial leverage, in 2013-2017, always waves between the first and second influences. We can conclude that the most influential component ratio is financial leverage. Wanda Group can control ROE by controlling financial leverage.

Chart 4.27 is the quantification of the impact of each component ratio for each year. We can intuitively find that in 2015, the asset turnover impact quantification is the most significant one, with the largest negative value. The influence quantification of assets turnover is most fickle. The impact of financial leverage is the most stable every year, and the influence quantification is also the least volatile. The influence of Net profit margin quantified change ranked second.

4.4 Sensitivity analysis

The purpose of sensitivity analysis for ROE is to find the component ratio that has the greatest impact on the base ratio and to analyze and measure its impact on the project economic benefit indicators and the degree of sensitivity

The following table 4.22 is the basic data of sensitivity analysis.

Table 4.22 Functional decomposition method in 2016-2017

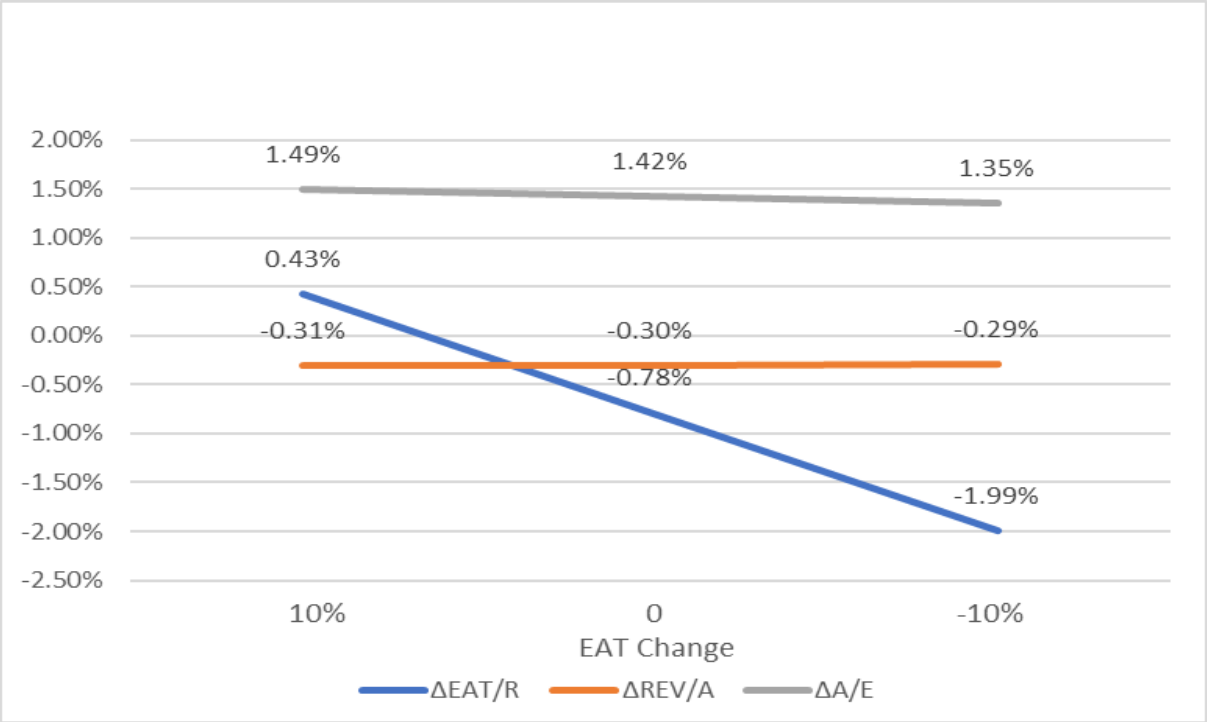
2016-2017					
	a2016	a2017	Ra	ΔXai	order
a1=EAT/REV	0.126	0.119	-0.061	-0.78%	3
a2=REV/A	0.566	0.553	-0.024	-0.30%	2
a3=A/E	1.720	1.927	0.120	1.42%	1
sum	X	X	X	0.34%	X

Table 4.23 and chart 4.28 are the reslut of change variabl factior EAT.

Table 4.23 The influence of the change of EAT on component ratios

EAT change	value	ΔEAT/R	ΔREV/A	ΔA/E	ROE change
10%	1667.6	0.43%	-0.31%	1.49%	1.60%
0%	1516	-0.78%	-0.30%	1.42%	0.34%
-10%	1364.4	-1.99%	-0.29%	1.35%	-0.93%

Chart 4.28 Influence of EAT change



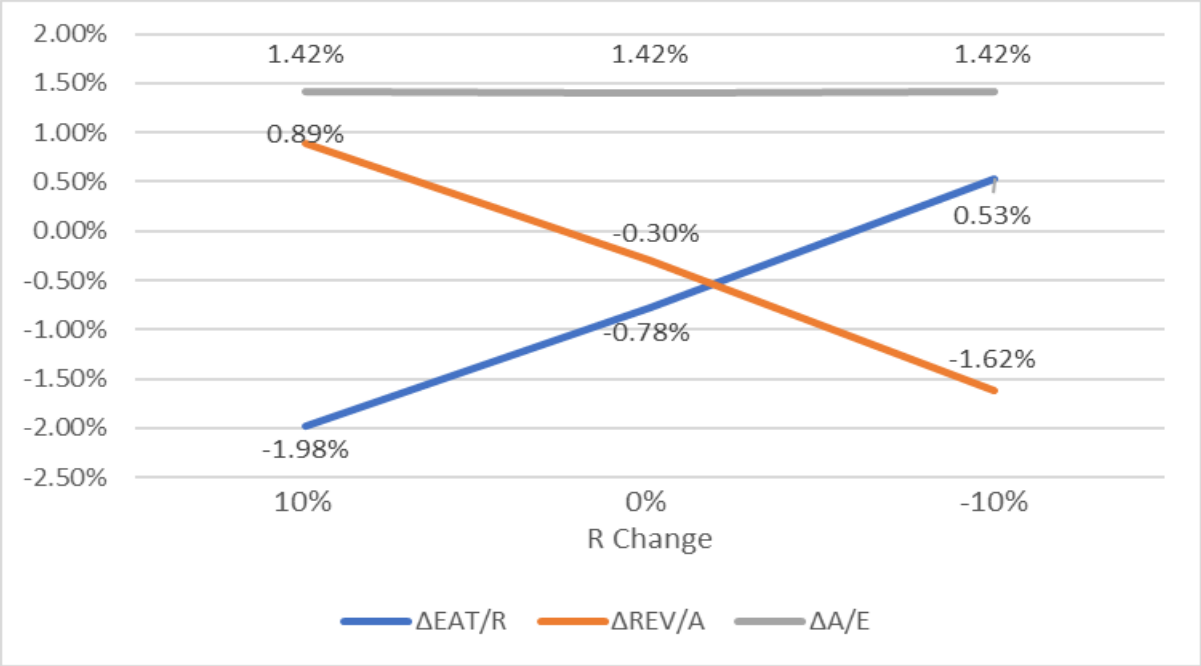
In Table 4.23 we can see the influence of EAT changes on ROE. Revenues, assets, and equity are constant, except that the value of EAT is changed from 90% to 110%. We can find that the EAT value increases ROE also increases, and the EAT value decreases ROE also decreases. The ROE falling speed is basically the same as the increasing speed. According to Chart 4.28, if we increase the value of EAT, the change in EAT/R is the most sensitive, the change in A/E is less than EAT/R, and R/A is the least sensitive with almost no changes.

Table 4.24 and chart 4.28 below are the results of changing the variable factor revenue.

Table 4.24 The influence of the change of revenue on component ratios

R change	value	ΔEAT/R	ΔREV/A	ΔA/E	ROE change
10%	14064.6	-1.98%	0.89%	1.42%	0.34%
0%	12786	-0.78%	-0.30%	1.42%	0.34%
-10%	11507.4	0.53%	-1.62%	1.42%	0.34%

Chart 4.29 Influence of revenue change



In Table 4.24, we change the value of the revenue from 90% to 110%, and the EAT, assets, and equity remain unchanged. The ROE does not change with the change of the revenue, and always maintains a fixed value 0.34%. However, the change in EAT/R is opposite to the change in revenue while the R/A has the same change with revenue. In Chart 4.29, we can get three curves. If we increase the asset by 10%, the A/E curve does not change, the R/A curve rises, but the EAT/R curve decreases. The EAT/R curve changes more strongly than the R/A curve. If

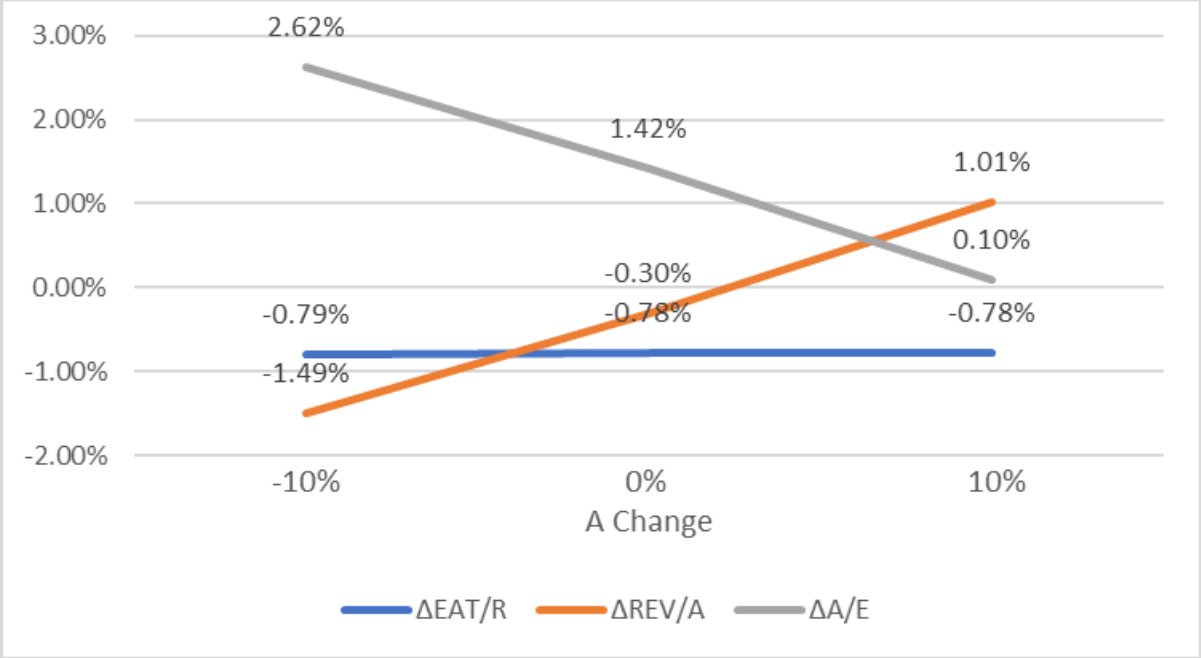
the asset is reduced by 10%, the A/E curve does not change, the R/A curve decreases, and the EAT/R curve rises. At this point the EAT/R curve is still more sensitive than the R/A curve.

Table 4.25 and chart 4.30 below show how the ROE changes as the variable factor asset changes.

Table 4.25 The influence of the change of assets on component ratios

A change	value	ΔEAT/R	ΔREV/A	ΔA/E	ROE change
10%	25456.2	-0.79%	-1.49%	2.62%	0.34%
0%	23142	-0.78%	-0.30%	1.42%	0.34%
-10%	20827.8	-0.78%	1.01%	0.10%	0.34%

Chart 4.30 Influence of assts change



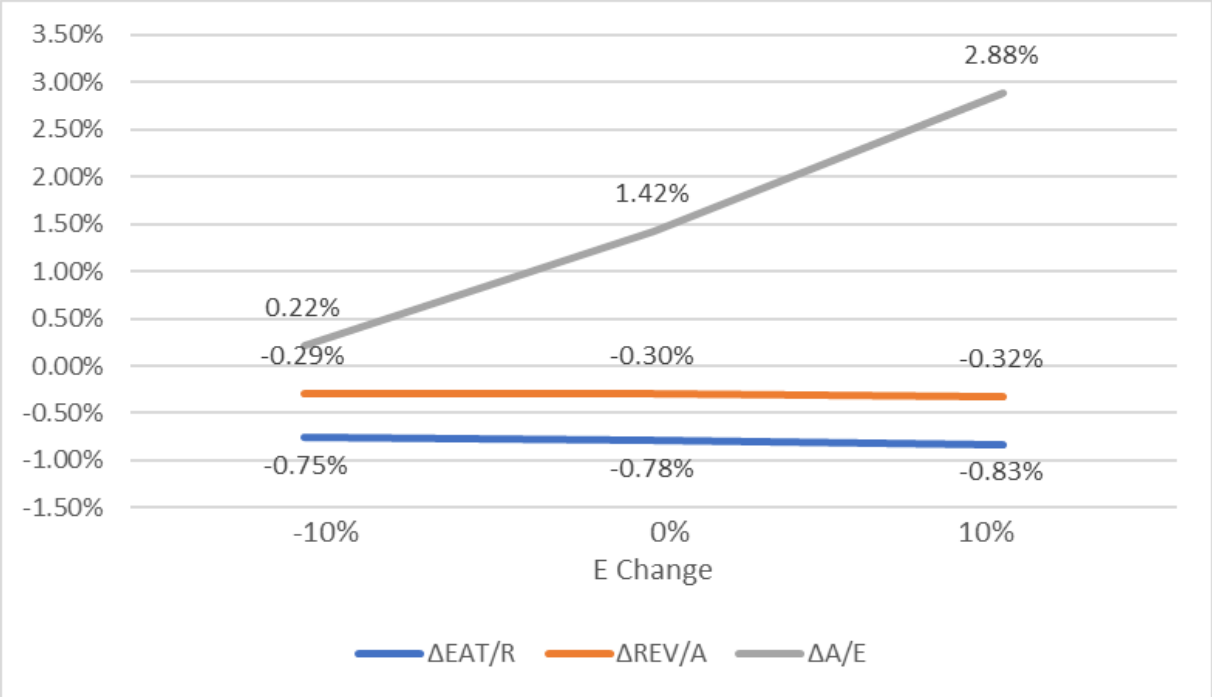
In Table 4.25, we increase the value of asset by 10% and also decrease it by 10%, EAT, revenue and equity remain unchanged. The change in ROE does not change as the value of changing the assets, maintaining a fixed value of 0.34%, just like the situation of changes in revenue. The value of R/A decreases when the asset increases. The value of A/E changes the same as the asset change. From Chart 4.30, we can see that the EAT/R curve is basically unchanged. The R/A curve is positively correlated with asset changes. Conversely, the A/E curve changes in contrast to asset changes. The A/E curve is the most sensitive.

Table 4.26 and chart 4.31 below show how the ROE changes as the variable factor equity changes.

Table 4.26 The influence of the change of equity on component ratios

E change	value	ΔEAT/R	ΔREV/A	ΔA/E	ROE change
10%	13211	-0.75%	-0.29%	0.22%	-0.81%
0%	12010	-0.78%	-0.30%	1.42%	0.34%
-10%	10809	-0.83%	-0.32%	2.88%	1.74%

Chart 4.31 Influence of equity change



According to Table 4.26, EAT, revenue and assets remain unchanged, we change the value of equity from 90% to 110%. ROE decreases as equity increases. When the equity increased by 10%, the ROE decreased from 0.34% to -0.81%. When the equity is reduced by 10%, the ROE increases from 0.34% to 1.74%. The values of EAT/R and R/A vary very little, and the trend of change is opposite to the change in equity. Returning to Chart 4.31, the EAT/R curve and the REV/A curve are essentially parallel to the horizontal line, so they are not sensitive to changes in equity. The A/E curve rises as equity increases.

5. Conclusion

This bachelor thesis consists of five chapters. In this chapter, we will draw conclusions about the financial status of Wanda Group.

First, we review the main contents of the first four chapters. The first chapter is the introduction chapter, which explains the content to be introduced and the purpose of the paper. At the same time, the structure and framework of the paper are introduced in the first chapter.

In the second chapter, we describe the theoretical methods of financial analysis. This chapter explains how to calculate and analyze ratios, especially financial ratios based on large amounts of data in financial statements. It is not easy to separate and check if there are some numerical problems that are meaningless to the calculation in selected years. Most importantly, if we change the site of the two items, the meaning of these ratios will be completely different. If we only have data and ratios that are not enough, then we make some charts to help with the analysis. They are horizontal and vertical charts. From these charts we can see the trends of these curves and even predict future trends. At the same time, we can also see the proportion of all the parts of the items to the main item to understand which part has a major impact on the main item. After that, we can use the four methods in the pyramidal decomposition method, they all have the same calculation steps, and choose a method to analyze the ratio to understand the factors affecting the financial ratio. Influence quantification analysis is a further analysis based on the pyramidal decomposition method. Sensitivity analysis is one of the most intuitive methods of analysis because we can see changes in one of the ratios affecting item rates and see which ratios are more sensitive to the item. In this chapter, I learned what is common size analysis, financial ratio analysis, pyramidal decomposition & influence quantification and sensitivity analysis and how to calculate them. Meanwhile i learned how to find data which I need from three main financial statements and how to use them to help me analyze.

The third chapter is the development history and current situation of Wanda Group. In this part, we comprehend the history of the development of this big company, their main business field, and their corporate culture. Through these, we can better understand the company and even predict its future prospects. Because the development history reflects the decision-making preferences of the decision-making level, the main business has laid the road of future business,

and the corporate culture will influence the decision-making of the company's management personnel. These company backgrounds are subjective factors influencing the company's future development. According to Chapter 3, we understand the status of Wanda Group's company. Today it is an open economy market. As a large company with scientific management and rich experience, its situation is

good. But in other objective aspects, especially the real estate industry, it is greatly affected by macroeconomic changes. At the same time, Wanda Group is a famous real estate company in China. China's economic market will have a significant effect on the company's development. Although it is still in the lead.

In Chapter 4, we will analyze data from three financial statements when we already have known how to conduct financial analysis. In Chapter 4, we used methods from chapter2 to make some tables and charts, and we found that the data is interrelated. On the other side we always find that the ratio or data for 2014-2015 is a turning point. The profitability ratios show that ROA and ROE reached their extreme values in 2014 and began to decline after 2014. At the same time, NPM and OPM reached their maximum in 20115 and began to decrease after 2015. 2015 is a turning point in the liquidity ratio. The liquidity ratio shows that the current ratio, quick ratio and cash ratio both increased in 2013-2015 and decreased in 2015-2017. In the pyramidal decomposition, we discovery that REV/A is the most significant change in ROE. Because the order of change of RREV/A in 2015 is the first place and is most obvious in the figure. In the sensitivity analysis, we found that when A changes, it is the most sensitive, and REV/A and A/E change in the reverse direction. Chapter 4 shows some typical years, and the data will have different trend changes. Based on these results, we can conclude that Wanda Group has undergone major changes in its operations in 2014-2015. We can see a significant increase in assets, liabilities and equity in the balance sheet. At the same time, according to the income statement, in 2014-2015, the increase in net income was the largest in the five years. We can also draw this conclusion in the profitability analysis, as the profitability analysis shows a more systematic display of Wanda Group's ability to generate profit. The company performed well in 2013-2014 and performed poorly after 2014-2017. The ratio has fallen. This is because Wanda Group's growth in EAT and EBIT in 2014-2017 is much smaller than that of R, A and E. Through the liquidity ratio analysis, we can more intuitively find that the three liquidity ratios

have increased steadily before 2015 and have declined rapidly since 2015. This means that Wanda Group's cash and cash equivalent assets continue to decrease, while current liabilities increase, Wanda Group reproduces by creating debt to create profit. On the other hand, the solvency ratio analysis indicates that Wanda Group's solvency is poor and will fall into a debt crisis in the long-term development. At the same time, the asset management ratio analysis shows that the average collection period of Wanda Group has become longer and the turnover rate of accounts receivable has become shorter. These indicate that Wanda Group has reasonable and scientific management of assets.

In summary, based on their financial situation and the ratio we calculated, we can say that Wanda Group may face some major troubles in debt repayment, because in the past five years it has invested heavily in production and earned profits. Wanda Group will be caught in default risk, which may have some significant impact or debt on their sales. But it is still very strong in asset management. So, their business performance has not decreased a lot, but management should still be careful. Wanda Group can recover from the decline in 2015, which shows the strong economic power of a large company. Despite the very slow recovery, Wanda Group is still worth investing in investors because its stock price will not be very high, and Wanda Group's default risk is small, and its strong profitability can bring investors the expected return. In order to recover and attract more investors faster, Wanda Group will also give investors certain discounts and price returns.

Bibliography

Professional books

[1] Bragg, Steven. *Financial Analysis: A Business Decision Guide*. 3rd ed. London: Accounting Tools,2017. ISBN 978-1938910968

[2] Berman Karen, Knight Joe, Case John. *Financial Intelligence, Revised Edition: A Manager's Guide to Knowing What the Numbers Really Mean*. Expanded ed. Harvard Business Review Press, 2013. ISBN 978-1422144114

[3] Brigham Eugene and Michael C. Ehrhardt. *Financial Management: Theory & Practice*. 15th ed. London: Cengage Learning, 2016. ISBN 978-1305632295

[4] Cheng-Few, Lee and John C. Lee. *Financial Analysis, Planning and Forecasting: Theory and Application*. 3rd ed. New York: World Scientific Publishing Company, 2016. ISBN 978-9814723848

[5] DLUHOŠOVÁ, Dana et al. *Financial Management and Decision-making of a Company. Analysis, Investing, Valuation, Sensitivity, Risk, Flexibility*. SAEI, vol. 28. Ostrava: VSB-TU Ostrava, 2014. ISBN 978-80-248-3619-5

[6] Cornwall Scarborough. Essentials of Entrepreneurship and Small Business Management. 8th ed. Pearson India, 2016. ISBN 978-9332559981

[7] Titman Sheridan, Keown Arthur, Martin John. Financial Management: Principles and Applications. 14th ed. Pearson, 2017. ISBN 978-0134417219

Electronic documents and others

[8] Annual Report of Wanda Group in 2017. [Online]. Available on http://store.todayir.com/todayirattachment_hk/wanda/attachment/2018042617320200033124376_en.pdf

[9] Annual Report of Wanda Group in 2016. [Online]. Available on http://store.todayir.com/todayirattachment_hk/wanda/attachment/2017032716350200012757838_en.pdf

[10] Annual Reports of Wanda Group. [Online]. Available on http://www.wandaplazas.com/en/financial/

[11] History of Wanda Group. [Online]. Available on http://www.wanda.cn/about/group/

List of Abbreviations

EBIT	Earning before interests and taxes
EAT	Earning after tax
ROA	Return on assets
ROE	Return on equity
NPM	Net profit margin
OPM	Operating profit margin
ACP	Average collection period
ART	Accounts receivable turnover
TAT	Total assets turnover
R or REV	Revenue
A	Assets
E	Equity
CNY	China Yuan

Declaration of Utilisation of Results from the Bachelor Thesis

Herewith I declare that

- I am informed that Act No. 121/2000 Coll. – the Copyright Act, in particular, Section 35 – Utilisation of the Work as a Part of Civil and Religious Ceremonies, as a Part of School Performances and the Utilisation of a School Work – and Section 60 – School Work, fully applies to my bachelor thesis;
- I take account of the VSB – Technical University of Ostrava (hereinafter as VSB-TUO) having the right to utilize the bachelor thesis (under Section 35(3)) unprofitably and for own use;
- I agree that the bachelor thesis shall be archived in the electronic form in VSB-TUO's Central Library. I agree that the bibliographic information about the bachelor thesis shall be published in VSB-TUO's information system;
- It was agreed that, in case of VSB-TUO's interest, I shall enter into a license agreement with VSB-TUO, granting the authorization to utilize the work in the scope of Section 12(4) of the Copyright Act;
- It was agreed that I may utilize my work, the bachelor thesis or provide a license to utilize it only with the consent of VSB-TUO, which is entitled, in such a case, to claim an adequate contribution from me to cover the cost expended by VSB-TUO for producing the work (up to its real amount).

Ostrava dated.....03.05.2019.....

黃榕 Rong Huang

Student´s name and surname

List of Annexes

Annexes 1: Balance sheet (unit is millions CNY)

Items	2013	2014	2015	2016	2017
Total Current Assets	1339	1978	4962	3833	5023
Cash & Short-Term Investments	1175	1746	4312	2474	2851
Cash Only	1175	1746	4312	2474	2851
Total Accounts Receivable	80	157	487	992	1719
Accounts Receivables, Net	27	86	384	701	1167
Accounts Receivables, Gross	27	102	413	725	1211
Bad Debt/Doubtful Accounts	-	-16	-29	-24	-44
Other Receivables	54	71	103	291	552
Inventories	32	39	82	159	172
Finished Goods	-	20	44	115	129
Raw Materials	-	20	30	44	43
Progress Payments & Other	-	-	9	-	-
Other Current Assets	52	36	80	208	281
Prepaid Expenses	45	36	80	195	267
Miscellaneous Current Assets	7	-	0	13	14
Total Non-Current Assets	2113	2596	10520	15285	18119
Net Property, Plant & Equipment	1088	1274	1756	2504	2888
Property, Plant & Equipment - Gross	1088	1960	2728	3842	4647
Buildings	-	-	92	173	258
Machinery & Equipment	746	1291	1732	2677	4006
Construction in Progress	26	50	131	361	286
Leases	-	-	-	2	75
Transportation Equipment	5	18	21	22	22
Other Property, Plant & Equipment	311	601	752	607	-
Accumulated Depreciation	0	686	972	1338	1759
Buildings	-	-	13	30	46
Machinery & Equipment	-	398	576	1029	1700
Transportation Equipment	-	8	11	12	13
Other Property, Plant & Equipment	-	280	372	267	-
Total Investments and Advances	0	0	384	546	498
Long-Term Investment - Affiliate Companies	-	-	12	174	18
Other Long-Term Investments	-	-	372	372	480
Intangible Assets	27	62	5831	8859	10696
Net Goodwill	-	23	5172	8129	9799
Net Other Intangibles	27	39	659	730	897
Other Assets	998	1260	2550	3376	4037
Deferred Charges	982	1237	2062	2985	3725
Tangible Other Assets	16	23	488	391	312
Total Assets	3452	4574	15482	19118	23142

Liabilities & Shareholders' Equity					
Total Liabilities	1157	1502	6048	8001	11132
Total Current Liabilities	1163	1514	2430	5297	8966
Short-Term Debt & Current Portion LT Debt	0	0	57	591	4269
Short-Term Debt	-	-	-	500	2200
Current Portion of Long-Term Debt	-	-	57	91	2069
Accounts Payable	283	231	619	664	844
Income Tax Payable	77	47	95	181	93
Other Current Liabilities	880	1283	1754	4042	3853
Dividends Payable	-	-	-	-	4
Accrued Payroll	91	122	185	217	348
Miscellaneous Current Liabilities	789	1161	1569	3825	3501
Long-Term Debt	-6	-12	3618	2704	2166
Long-Term Debt excl. Capitalized Leases	0	0	3372	2813	2080
Non-Convertible Debt	0	0	3372	2813	2080
Capitalized Lease Obligations	0	0	0	0	17
Provision for Risks & Charges	0	9	308		260
Deferred Taxes	-16	-21	-199	-229	-208
Deferred Taxes - Credit	0	0	23	26	-
Deferred Taxes - Debit	16	21	222	255	208
Other Liabilities	10	0	137	120	17
Other Liabilities (excl. Deferred Income)	10	0	137	120	17
Total Equity	2295	3072	9434	11117	12010
Common Equity (Total)	2289	3067	9428	11112	11971
Common Stock Par/Carry Value	500	500	1174	1174	1174
Additional Paid-In Capital/Capital Surplus	-	10	4588	4588	4588
Retained Earnings	1577	2308	2965	3996	5139
Cumulative Translation Adjustment/Unrealized For. Exch. Gain	-	-	121	267	302
Other Appropriated Reserves	-	-	-	362	467
Unappropriated Reserves	212	249	580	725	301
Total Shareholders' Equity	2289	3067	9428	11112	11971
Accumulated Minority Interest	6	5	6	5	39
Total Liabilities & Shareholders' Equity	3452	4574	15482	19118	23142

Annexes 2: Income statement (unit is millions CNY)

Items	2013	2014	2015	2016	2017
Sales/Revenue	3956	5082	7652	10820	12786
Cost of Goods Sold (COGS) incl. D&A	2623	3526	5280	7566	9027
COGS excluding Depreciation and Amortization	2623	3165	4792	7219	8067
Depreciation & Amortization Expense	0	361	488	347	960
Depreciation	-	183	236	327	419
Amortization of Intangibles	-	7	12	19	29
Amortization of Deferred Charges	-	171	240	1	512
Gross Income	1333	1556	2372	3254	3759
Selling, General & Administrative Expense	449	608	862	1545	1992
Other Selling, General & Administrative	449	608	862	1545	1992
Other Operating Expense	206	5	7	-246	0
EBIT	678	943	1503	1955	1767
Unusual Expense	0	0	0	0	0
Non-Operating Income/Expense	4	-23	-73	-57	308
Non-Operating Interest Income	114	137	175	57	51
Interest Expense	7	0	48	165	264
Gross Interest Expense	7	0	48	165	264
Pretax Income	789	1057	1557	1790	1862
Income Tax	185	255	374	437	361
Income Tax - Current Domestic	192	261	377	456	350
Income Tax - Deferred Domestic	-7	-6	-3	-19	11
Equity in Affiliates	0	0	4	15	15
Consolidated Net Income	605	803	1187	1368	1516
Minority Interest Expense	1	1	1	2	0
Net Income	603	801	1186	1366	1516

Annexes 3: Cash flow statement (unit is millions CNY)

Items	2013	2014	2015	2016	2017
OPERATING ACTIVITY					
Net Income before Extraordinaires	603	803	1188	1368	1516
Depreciation, Depletion & Amortization	0	361	487	739	958
Depreciation and Depletion	-	183	236	327	419
Amortization of Intangible Assets	-	178	251	412	539
Deferred Taxes & Investment Tax Credit	0	-6	-3	-29	11
Deferred Taxes	-	-6	-3	-29	11
Other Funds	416	47	100	198	162
Funds from Operations	1019	1205	1772	2276	2647
Changes in Working Capital	0	56	317	-327	-632
Receivables	0	-132	-172	-704	-899
Inventories	0	-8	-21	-29	-9
Accounts Payable	0	196	510	406	276
Net Operating Cash Flow	1019	1261	2089	1949	2015
INVESTING ACTIVITY					
Capital Expenditures	-537	-672	-1098	-1496	-1747
Capital Expenditures (Fixed Assets)	-537	-672	-1098	-1496	-1747
Net Assets from Acquisitions	0	-17	-1927	-1577	-611
Sale of Fixed Assets & Businesses	0	1	1	2	99
Purchase/Sale of Investments	0	0	-462	-647	-37
Purchase of Investments	-	-	-462	-659	-537
Sale/Maturity of Investments	-	-	-	12	500
Other Uses	0	0	0	-60	0
Other Sources	0	0	0	60	0
Net Investing Cash Flow	-537	-688	-3486	-3718	-2296
FINANCING ACTIVITY					
Cash Dividends Paid - Total	0	0	-447	-235	-235
Common Dividends	-	-	-447	-235	-235
Issuance/Reduction of Debt, Net	0	0	1057	-213	2872
Change in Long-Term Debt	-	-	1057	-213	2872
Issuance of Long-Term Debt	-	-	2998	500	4600
Reduction in Long-Term Debt	-	-	-1941	-713	-1728
Other Funds	-2	-2	3333	-151	-1476
Other Uses	-2	-2	-95	-151	-1482
Other Sources	-	-	3428	0	6
Net Financing Cash Flow	-2	-2	3943	-599	1161
Net Change in Cash	480	571	2567	-2338	877